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Basic data on the public sector

Basic data on the public sector

Report of the Secretariat

Executive summary

In following up the recommendations of the fifteenth session of the former Ad Hoc Group of Experts on the United Nations Programme on Public Administration and Finance, the Division for Public Economics and Public Administration of the United Nations Secretariat developed a set of public sector indicators, which were made available in both electronic form (at www.unpan.org) and in printed form (*World Public Sector Report: Globalization and the State*). That effort stands out as the only readily accessible source of indicators that present the size and major functions of the public sector in the world. In view of the increased interest in government activities and government accountability, there is a need to improve and expand the current set of indicators by at least offering data that give a more comprehensive picture of government revenues and expenditures, including tax expenditures. There is also a rationale for changing the character of the current effort towards developing a concept of a broader approach to collecting data about Governments and the impact of their regulations and behaviour, and presenting them periodically as the global public sector monitor. It is proposed that the concept for such an expansion be based on an analysis of the quality of Governments' response to the challenge of transition to the knowledge society. A set of additional indicators is proposed in five areas: maintenance of the public sphere; knowledge acquisition; a web-based platform for work and life; entrepreneurial development; and links between the local and global levels. The present report recommends adopting such an expanded set of indicators as a basis for the evolution of current basic data on the public sector into the global public sector monitor.

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Contents

		Paragraphs	*Page*
I.	Introduction	1–4	3
II.	United Nations basic data on the public sector and other international sources of data on the public sector	5–13	3
III.	The opportunity for expanding the United Nations database on the public sector	14–34	4
	A. The framework of the current concept	14–21	4
	B. Dealing with the impact of government regulations and government behaviour	22–34	6
	1. Maintenance of the public sphere	30	7
	2. Knowledge acquisition	31	8
	3. Web-based platform for work and life	32	8
	4. Entrepreneurial development	33	9
	5. Links between the local and the global	34	9
IV.	Recommendations	35	9

I. Introduction

1. The present report represents the continuation of a discussion on collecting and making available internationally comparable data on the public sector, an effort undertaken in collaboration between the Division for Public Economics and Public Administration of the United Nations Secretariat and the former Group of Experts of the United Nations Programme on Public Administration and Finance which got under way during the fourteenth session of the former Group of Experts, in 1998. Following the recommendations made at that session, the Division elaborated and presented to the former Group of Experts at its fifteenth session a framework for the collection of such data (see ST/SG/AC.6/2000/L.2). That framework described the functions of the State as regulator, tax collector, producer, consumer and provider of cash transfers and subsidies, as well as an employer. It suggested that — taking into consideration the availability of data — the presentation of three kinds of indicators could provide a reasonable picture of the public sector in a given country: expenditure by all levels of government, government employment and the value of tax expenditures.

2. At the same time, although the framework acknowledged the important role of the State as regulator, it suggested that it is extremely difficult to quantify the extent of regulation of economic activity, and concluded that even though regulation is an important function of States, it is virtually impossible to measure in any meaningful way and would be ignored in the remainder of that report (see ST/SG/AC.6/2000/L.2, para. 6).

3. Subsequently, as a result of discussion during the fifteenth session of the former Group of Experts and further elaboration of the framework of indicators for measuring the public sector, the set of indicators published in electronic form at www.unpan.org included the following five measures:

- Government and public employment as a percentage of population.
- Government consumption as a percentage of gross domestic product (GDP).
- Central government expenditure as a percentage of GDP.
- Central government expenditures by type and by function, as a percentage of all central government expenditure.
- Central government tax revenue as a percentage of GDP.

The concept and indicators were presented in part two of the *World Public Sector Report: Globalization and the State*.

4. Two thorny issues that were raised from the very beginning of the discussion about the scope of indicators for measuring the public sector remain unresolved. Although within those five categories some data can be collected and presented in an internationally comparable way, the lack of data in some cases and the lack of series of data in other cases makes that task difficult. Also, the lack of readily available data at the subnational level allows for the presentation of a partial picture only.

II. United Nations basic data on the public sector and other international sources of data on the public sector

5. As mentioned above, United Nations basic data on the public sector are available at www.unpan.org, the web site of the Division for Public Economics and Public Administration, as well as in the *World Public Sector Report: Globalization and the State*. The data are presented together with an analysis of changes and trends. As such, they represent the only source of basic data on the public sector that follows a defined concept of the public sector and its measurement. A cluster of indicators that measure the public sector "in fact", i.e., in areas and in ways that are allowed by the availability of internationally comparable statistics, was the starting point of reference. Work has been initiated to make the statistics more up to date. Also, the electronic version will allow for generating country, region and subject-specific reports.

6. The United Nations Statistics Division offers statistical databases online, some of which are available for subscribers only. They are multisectoral and comprehensive, and are effective at presenting a long series of data. But there is no reference to public sector as such. If one approaches those databases with a well-defined concept of the public sector, one can

piece a lot of useful information together. Such information can be found, for instance, under codes 14 (National accounts) and 15 (Financial statistics).

7. The United Nations Development Programme maintains a database on good governance. Its web site presents "Stories from the field", a useful collection of anecdotal evidence that showcases local initiatives aimed at instilling practices of good governance. No statistical data is available. The *Human Development Report* web site provides statistics focused on monitoring human development, grouped according to key human capabilities, for example, leading a long and healthy life; acquiring knowledge; having access to resources needed for a decent standard of living. Again, while no database is devoted to the public sector per se, with a well defined concept of the public sector in hand one could browse such databases and identify a substantial amount of relevant information.

8. The International Labour Organization maintains a web site of 20 key indicators on the labour market. Data on public sector employment can be found under cluster 4 (Employment by sector).

9. The World Bank features an information-rich web site of its Public Sector Group that is devoted to governance and public sector reform (GPSRnet). From the point of view of the presentation of indicators on the public sector, the most relevant is the web page on administrative and civil service reform. In particular, it provides cross-national data on government employment and wages. But it is acknowledged that systematic comprehensive information on public sector employment and pay is rare and generally controversial.

10. The general World Bank statistical database does not present a cluster of data that is specifically related to the public sector. It offers, inter alia, statistical information on domestic finance (e.g., consumption, expenditures, revenues); governance (e.g., cross-referenced with GPSRnet on employment and wages; cross-referenced with the above database on domestic finance); and military expenditure. Again, if that statistical database is searched on the basis of a well defined concept of the public sector, a substantial amount of information can be generated.

11. The International Monetary Fund (IMF) maintains the World Economic Outlook Database. One of its sections is devoted to general government fiscal balances and presents data on a national income accounts basis. No cluster of data devoted specifically to measurement of the public sector is available.

12. Finally, the Organisation for Economic Cooperation and Development (OECD) programme on public management and governance focuses on institutional development, and on assisting Governments in building and strengthening effective, efficient and transparent administrative structures. It covers the 30 members of OECD. Public sector statistics available through the programme's web site focus on public sector pay and employment. Other data related to the public sector, especially to expenditures, can be found in OECD publications (partly available in electronic form) that deal with national accounts, labour force statistics and general economics.

13. The above overview confirms that apart from the United Nations database on the public sector, there is no other source of information and data solely dedicated to portraying the overall picture of the public sector in the world, measuring its size and major functions. To date, the United Nations database does not generate its own original data but researches available sources. Its value is in bringing all the pertinent information to one place and systematizing it according to an adopted concept. Currently, if for whatever reason an answer to the question "What is the status of the public sector in the world, its size and impact?" were sought, practically the only place where such answer could be found is the United Nations database. That sets it apart and requires continuous thinking and effort in order to ensure the highest possible level of quality.

III. The opportunity for expanding the United Nations database on the public sector

A. The framework of the current concept

14. The concept on which the United Nations database on the public sector has been built is a realistic one. While acknowledging that in theory there are many interesting and useful ways in which the public sector can be looked at, described and analysed, the concept stresses that only some of them are practical since no readily available, reliable and internationally comparable data that could support a broader approach exist. According to the report of the

Secretariat on public sector indicators (ST/SG/AC.6/2000/L.2) that constitutes the difference between measuring the public sector "in theory" and "in fact".

15. Currently, that approach requires further testing. When one thinks about the measurement of the public sector, three main questions come to mind: (a) How big is it? (b) How much does it cost? (c) What do we get from it? With the growth of the overall interest in the changing role of the State and in its accountability to the public, those questions resonate more and more loudly. And there seems to be a growing demand for more and more precise answers. The five original indicators have gone a long way in giving answers to those questions. Data on government employment and government consumption provide an answer to the first question. Data on tax revenue provide an answer to the second question. And finally, data on government expenditures provide an answer to the third question. However, the provision of more comprehensive answers is possible, even if one stays in the realm of the possible, i.e., measuring the public sector "in fact".

16. The growing interest in the changing role of government and in accessibility of data about its operation constitutes a trend that is rooted in the increasing integration of the world economy and the information revolution. It is not merely a question of monitoring the adjustment of local structures and institutions towards facilitating the capital and trade flows. It is equally about the increasing ease with which information can be exchanged and with which the demonstration effect can spread the world over. Therefore, the concept of the public sector cannot be treated as being limited to a certain group of countries that have already passed the early stages of government development, i.e., building the very machinery of government and ensuring greater efficiency and effectiveness of that governmental machinery. It increasingly looks as if countries with deficiencies in government development may have to look for ways to accommodate all three stages of that development at the same time. They may have to put in place the processes of setting up governmental machinery, fine-tuning it for efficiency and effectiveness; and increasing government accountability by placing citizens in the proper relationship vis-à-vis the government.

17. As to ways in which the government can be measured in a more comprehensive way — to meet the expectations of awakening citizenry — new categories of data can be collected and presented, which concerns especially the second of the three above-mentioned questions, i.e., "How much does it cost?"

18. The first area of interest concerns the total picture of government revenues. Taxes constitute the prevailing source of government revenues, but they are not by any means the only source of government income. Some of those sources are semi-permanent, such as income from government monopolies. Others, such as income from selling public property — for instance income resulting from privatization programmes — are one-off operations. As long as there are public assets to be sold, those revenues can be significant for the whole picture of government operations, since they may constitute a cushion for irresponsible fiscal policy. Therefore, it seems warranted to expand the United Nations database on the public sector by the following additional indicator:

- Total public revenue as percentage of GDP.

19. Governments borrow and increasingly they borrow not only at the central but also at the local levels, especially at the level of municipalities. That in itself is not a negative phenomenon as long as the debt portfolio is managed in a sustainable way. Also, by going to the national and increasingly international market for loans, Governments expose themselves to the scrutiny of the market and subject their finances to ranking, which tells a broader story about the state of affairs as managed by a Government, regardless of whether it is at the central or at the local level. Therefore, it seems warranted to expand the United Nations database on the public sector by the following additional indicators:

- Public debt (total and per capita).
- Ratio of debt service to recurring revenues.
- International ranking of public debt.
- Domestic ranking of local debt (BIS ratio).

20. Finally, there are important aspects of government expenditures that should be considered for a more comprehensive presentation of the answer to the question "What do we get from it?". One is the issue of intergovernmental transfers and the increasingly important phenomenon of local expenditure of centrally collected revenues. Another is the issue of tax expenditures. Two years ago, little data could be found

to illustrate that phenomenon. Today, with the pioneering efforts of IMF, several dozen countries make data concerning tax expenditures available in the public domain. Therefore, there is an opportunity to highlight those acts of government fiscal transparency. It seems warranted to expand the United Nations database on the public sector by additional indicators on:

- Percentage of total central revenues spent at the local level.
- Tax expenditures as a percentage of total tax revenue.

21. One can stop the analysis of the public sector with the effort to capture its fiscal behaviour and the impact of that behaviour. Such an analysis documents the status of a broader contract between the public at large and the Government. It paints a picture of Governments as agents that work on behalf of the society. It shows how well public money and public trust are used to secure the current needs of society, and points to prospects for its future growth and development. If government decisions are right, if there are no principal agent problems, if bureaucratic capture does not prevail — then all that shows on the balance sheet of the cost of the existence of the public administrative machinery and the results of that existence. It shows in the structure and level of government consumption and government expenditures, to the extent that they relate to human capabilities.

B. Dealing with the impact of government regulations and government behaviour

22. As it is rightly pointed out in the report of the Secretariat on public sector indicators (ST/SG/AC.6/2000/L.2) Governments enjoy a monopoly of legitimate force, limited perhaps by democratic tradition, a written constitution or a bill of rights. There is, moreover, an inherent conflict embedded in the concept of government since government is both the formulator of policies and the immediate arbiter of such policies. Their sheer size and political and often economic power make Governments the decisive factor in shaping the type of governance that prevails in societies the world over. Good governance[1] does not exist in countries in which Governments do not actively support and practise it, in which they suppress the independence of the judiciary and the rule of law. Also, by regulating and making strategic investments, Governments have the power to lead the development of their economics in a certain direction. It is also axiomatic to claim, when discussing regulations, that Governments are better at formulating policies but are worse in delivery when compared to businesses. That is easily exemplified by the increasing interest in public/private partnerships. However, the regulatory hand of the State should not be unduly heavy since to impose onerous costs on business is equivalent to a tax. Therefore, it is hardly possible to answer the above questions related to the measurement of a government, especially the third one, "What do we get from it?", without an attempt to capture some of the impact of regulations and the behaviour of Governments.

23. Such broadening of the scope and character of measurement of government would convert the current United Nations basic data on the public sector into a global public sector monitor. Such a monitor must be based on an acceptable concept. In turn, that concept must be supported by a set of well chosen indicators, even if they are proxy indicators. A compelling vantage point is the role that Governments play in formulating and implementing a high-quality response by a society to the challenge of building a knowledge-based society.

24. When one looks into the future today, one appreciates that it will be inhabited, inter alia, by societies that are currently working to make space — changing policies and institutions — for knowledge to become the leading factor that shapes the way in which people work and live. They are moving in the direction of knowledge societies. Such societies rest on K-governance,[2] i.e., on values, institutions, policies and investments (in human resources and skills; in concepts, contents and ideas; in communication and networking) that provide optimal conditions for knowledge to play the role of the key factor in economic growth and human development. They embrace wireless connectivity and knowledge workers as much as the successful industrial societies formerly embraced the steam engine, electricity, the assembly line, the stock exchange, scientists, engineers and investment bankers.

25. In the centre of that transition are the people with their new capabilities and roles. Their intelligence, augmented by ICT, is becoming the primary source of growth, development and wealth creation, which puts

them in the position of the leading factor of production. Unlike physical or financial capital, that new leading factor of production will be capable of relocation based on its own calculation and its own merits. As competition for the most educated and skilled individuals grows, nations and firms will be likely to attune to their demands. They will try to become "liveable" by the standards established by the most sought-after individuals.[3]

26. Knowledge societies that embrace the proper set of values, especially the value of human solidarity, seem to carry the promise of a new wave of human emancipation, with new opportunities to increase human capabilities in ways that assure quicker, broader and more sustainable progress in human development. That conviction underpins the United Nations decision to create the Information and Communications Technologies Task Force, and it is also behind the call of the United Nations Millennium Declaration for values-based development that rests on good governance, human rights and freedoms, and participatory democracy.

27. Successful knowledge societies are expected to have in the future a demonstration effect in the world as powerful as that which successful industrial societies have today. Many of them will emerge from redesigned industrial societies. But that is not guaranteed. Wherever a society and its government raises to the level of a high-quality response to that new developmental challenge, new concentrations of wealth and power are sure to appear, which has the potential for redrawing the current map of wealth and poverty, economic and political power, and vulnerability in the world. However, ethnic, cultural, religious and national groups are bound to form and are already forming their own assessment and reaction to the new challenge. Interest lobbies are also shaping the process. Resistance or support to following the change may come from various directions as a result of coalitions of various, oftentimes diverse interests. Choices to be made here will have long-term positive or negative consequences.

28. The starting point for the transition — as measured in financial resources, human skills and the prevalence of enabling structures and institutions — matters. So does an enabling international environment and degree of cooperation. And not all in the transition will be rooted in government actions. Business and civil society have an important role to play. But, the process of change is no different than any other process of change. Leadership is one of its indispensable ingredients. It does not even matter that in that changing and by definition chaotic world, centralized, top-down, command-like governance structures are likely to give way to (ad hoc) coalitions of broad groups of shared interests, consisting of government agencies, businesses and citizens. In an emerging world of many players, interests and scattered capabilities (including funding capacities), the role of a catalyst, organizer or "stage manager" will have to be performed. Governments — central and local — are well positioned to pick up and harness that role. They are equally well positioned to assume a passive or negative role, depending on the coalition of interests and forces that they would represent. Their behaviour in that respect matters. If it does, it is objectively beneficial to measure that behaviour and its impact and to present results of such measurement in the public domain.

29. Among the many possible approaches, it is proposed that the future global public sector monitor focus on five additional areas for data collection and presentation: (a) state of the public sphere; (b) knowledge acquisition; (c) web-based platform for work and life; (d) entrepreneurial development; (e) links between the local and global levels. As with the initial attempt to present the basic data on the public sector, describing those areas "in theory" is much easier than describing them "in fact". In many cases, data is simply unavailable. In many cases, proxy indicators will have to be used, and in others descriptive situations will have to be used. However, while the choice of indicators can be fine-tuned in time, those five areas seem to represent a key complement to the basic data on the public sector. They tell a fuller story about the government stewardship of the societies that they manage.

1. Maintenance of the public sphere

30. The general value of basing the legitimacy of Governments on well informed public consensus is perhaps most clearly pronounced at the time of change. Sustainable management of change and of the results of change require it. From that point of view, the state of the public sphere, i.e., the institutional arena of discursive interaction where private persons can debate public matters, is of great interest. A lot of factors play an important role here. Is discussion in the public

sphere open and accessible to all? How does a society deal with bracketing inequalities of status among the participants? Is the right to participate in such a discussion protected by laws and an independent judiciary? Is the information about the functioning of the Government available in the public domain in a timely and user-friendly way? Who owns and controls the means for public discourse? The state of the public sphere is not sound the world over. Inequalities still matter, and with the retrenchment of the welfare State material means of bracketing them are more and more difficult to come by. The early enthusiasm about the liberating impact of ICT has been more recently lowered by governmental restrictions and by the use by some Governments of the eavesdropping, firewall and geo-locating technologies. And freedom of the privately owned press is too often compromised by collusion between business and government. In addition, the soundness of the public sphere relies often on intangible factors, such as culture. Be this as it may, Governments — through their regulations, investment and behaviour — carry a large share of responsibility for it. Therefore, indicators that describe the state of the public sphere tell a revealing story about the use by Governments of the public trust and public money. For these reasons, it is proposed that the global public monitor collect and present data on:

- Ownership (state, for profit, not for profit) of newspapers, radio and television stations.
- Status of ratification of human rights conventions.
- Description of ways in which the government budget is disclosed to the public at large.

2. Knowledge acquisition

31. The real divide in the world should be measured not so much in terms of access to income or access to ICT connectivity but by access to knowledge. The legitimate worry that globalization (i.e., integration of the world economy) is not benefiting all can be rephrased as a legitimate worry about the growing productivity divide. It can also be rephrased as a legitimate worry that knowledge that already exists in the world and could be effectively used to alleviate many grave social problems is not harnessed where it can have the greatest and most needed effect. Without bridging the knowledge divide, the world is bound to continue to be caught in discussions about the feasibility of increasing international financial transfers. The income divide is likely to dominate global politics. And many aberrations that have their roots in the every day realities of marginalization and exclusion will be with us. Naturally, an issue as huge as that is a matter that is best addressed by both national and international activities. However, local systems and local institutions for the creation of original knowledge, for knowledge adoption and adaptation, and for preparing a future cadre of knowledge workers can and should be usefully monitored and measured. It is proposed, therefore, that the global public sector monitor collect and present data on:

- School enrolment ratio at all three levels of education (by gender).
- Public expenditures on research and development as a percentage of the military budget.
- Number of internationally registered patents.
- Foreign direct investment (FDI) as a percentage of total investments.

3. Web-based platform for work and life

32. Despite the relatively short history of business and social applications of the Internet, it is possible to conclude that it already has and will increasingly have a truly revolutionary impact on how people work and live. It empowers individuals in ways for which little precedence can be drawn from history. It carries the potential of converting them into well informed, knowledgeable individuals. It carries the potential of converting them into socially and politically active, networked individuals. With further improvements in wireless connectivity, it allows those individuals to move around with their personal "bubble" of access to information, knowledge and networks, which is increasingly having a profound impact on their capabilities and behaviour in the workplace and many other public and private arenas. ICT skills, connectivity and applications are the three main ingredients needed to enable the full potential of the new technology to be utilized. And while they do not depend solely on the activities of the Government, they are so important for opening new human development opportunities that measuring them at any level of overall development tells an important story about the capacity of the Government to lead and to focus on what matters in terms of future growth and development. A good example here is the debate about the rationale for

maintaining a public monopoly on telecommunications. While useful, it has its final resolution in a very objective indicator: the cost of making a long-distance call or the cost of an Internet connection. Therefore, it is proposed that the global public sector monitor collect and present data on:

- Infrastructure for wireless, broadband connectivity.
- Number of cell phones per 100 population.
- Number of Internet hosts per 100 population.
- Cost of Internet connection.
- E-government applications (list and description of existing applications, with links to them and/or e-government index).

4. Entrepreneurial development

33. Entrepreneurial development is about individual freedom, the productive utilization of skills and knowledge and raising the overall quality of life by offering the public a better choice of goods and services. It is also about developmental sustainability and security. Moreover, it serves to strengthen democracy by developing and sustaining a middle class of citizenry. A society that has organized itself for easy business incorporation is a society that allows its citizens to undertake many experiments in satisfying the needs of consumers. Since no one can foresee the future with any certainty, an economy that is based on only few businesses is bound to be less flexible in adaptation to the opportunities and requirements of the future. The knowledge-based society aims to generate an increased number of ideas and applications of those ideas. Creating the conditions for easy, low-cost start-up of businesses represents a logical supplement to the ever-expanding pool of marketable ideas. A lot depends in this area on government regulations of a broad scope of business-augmenting activities, from regulation of the financial markets to regulation of the bankruptcy courts. Eventually, it demonstrates itself in people's ability and willingness to engage their own capabilities and often their own funds into starting a business enterprise. It is proposed therefore that the global public sector monitor collect and present data on:

- Number of steps needed for business incorporation.
- Number of new businesses as a percentage of existing ones.

5. Links between the local and the global

34. Finally, knowledge-based societies will live in a framework of an integrating world, with the economy constituting perhaps the strongest net of integration. Knowledge multiplies best in knowledge-rich environments. With the help of modern telecommunication, those can be found globally as easily as locally. And market size matters when a marketable idea is converted into a business activity. The ability of the local environment to attract and keep from the global pool of savings is also a sign — among others — of good public stewardship. The same applies to people. Although the integration trends in the world seem unstoppable now, monitoring and measuring the direction and the quality of flows between the local and global environments can provide a useful indication of the soundness of the overall regulatory framework that has been put in place by local governments. Therefore, the following indicators seem useful:

- Foreign trade as a percentage of GDP.
- Net labour migration as a percentage of population.

IV. Recommendations

35. **Based on the above analysis, it is recommended that:**

(a) Basic data on the public sector should be presented in a more comprehensive form and, in addition to the current five basic indicators, should include the following indicators:

- **Total public revenue as a percentage of GDP.**
- **Public debt (total and per capita).**
- **Ratio of debt service to recurring revenues.**
- **International ranking of public debt.**
- **Domestic ranking of local debt (BIS ratio).**
- **Percentage of total central revenues spent at the local level.**
- **Tax expenditures as percentage of total tax revenue.**

(b) Basic data on the public sector should evolve into the global public sector monitor;

(c) The concept of that evolution should be based on collecting data that illustrate government regulations and behaviour, as they relate to the transition to a knowledge-based society;

(d) Data on government regulations and behaviour — as they relate to the transition to a knowledge-based society — should pertain to the following five areas: (i) maintenance of the public sphere; (ii) knowledge acquisition; (iii) web-based platform for work and life; (iv) entrepreneurial development; and (v) links between the local and the global;

(e) The new indicators should include:

- **Ownership (State, for profit, not for profit) of newspapers, radio and television stations.**
- **Status of the ratification of human rights conventions.**
- **Description of ways in which the government budget is disclosed to the public at large.**
- **School enrolment ratio at all three levels of education.**
- **Public expenditures on research and development as percentage of military budget.**
- **Number of internationally registered patents.**
- **FDI as a percentage of total investments.**
- **Infrastructure for wireless, broadband connectivity.**
- **Number of cellphones per 1,000 population.**
- **Number of Internet hosts per 1,000 population.**
- **Cost of Internet connection.**
- **E-government applications (list and description of existing applications with links to them).**
- **Number of steps needed for business incorporation.**
- **Number of new businesses as a percentage of existing ones.**
- **Foreign trade as a percentage of GDP.**
- **Net labour migration as a percentage of the population.**

Notes

[1] While discussing governance, the process by which a society steers itself, the participants of the Global Knowledge II Conference, held in Kuala Lumpur in March 2000, agreed on the following characteristics of "good governance": it must be based on values, human rights and freedoms and the rule of law. It must be unified by the attractiveness of the development vision that it formulates and represents. It must be social consensus-seeking, non-divisive, supportive of peaceful coexistence and cooperation. It must be responsive to well informed, knowledgeable citizens. It must be focused on its goal, i.e., serving the well-being of all stakeholders. It must be participatory and interactive, inclusive, providing open access and effective ownership to all stakeholders. It must be representative, i.e., allowing regular renewal of leadership. It must be useful by being effective, responsive and flexible, and able to react quickly, and evolve in its modes of operation. It must be equitable in burden-sharing and distributing access to opportunities and resources (including information and knowledge). In must be cost-efficient. It must be transparent and accountable, based on open access to information about its functioning. And finally, it must be consistent in all its characteristics at all levels — local, national and global.

[2] It is important to distinguish the difference and discuss the relationship between (a) good governance (G-governance, as defined in footnote 1); (b) governance that enables the creation and functioning of a knowledge-based society (K-governance); (c) application of information and communication technology (ICT) to the many processes through which power is executed in a society (E-governance); and (d) application of ICT to the operations of the governmental machinery (E-government). Although it is true that the presence of greater amounts of knowledge and ICT capabilities in key areas of human activities triggers processes that amplify the desirable characteristics of governance, "E-governance" and "E-government" do not by themselves guarantee the achievement of a higher level of human development. They facilitate activities aimed at implementation of policies: it is the content and intended effect of those policies and activities that determines if they eventually measure up to the standards of G-governance, one that objectively serves human development, expands human opportunities and choices. Similarly, K-governance cannot be automatically equated with G-governance. It merely opens space for knowledge to become a decisive resource in the life of a society. By itself, it does not deal with exclusion, intolerance or lack of human

solidarity. Only the goal of human development for all that is rooted in proper values would bring K-governance close to the ideal of G-governance.

[3] Those standards are difficult to predict today. However, it is safe to assume that they will be likely to include peace; human rights and freedoms; non-discrimination and a culture of tolerance; the rule of law and an independent judiciary; open and accessible participation in the political process; transparency, responsiveness, effectiveness and efficiency of public administration; institutions that guarantee low-cost accessibility to health care, lifelong education, ICT, local and global markets and social safety nets capable of supporting the retooling of skills; and a clean natural environment. The values of those individual elements will determine how broadly the conditions of "liveability" will spread to other sectors of society and to other countries and regions of the world.

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Enhancing the capacity of public administration to implement the United Nations Millennium Declaration

The critical role of public administration and good governance in implementing the United Nations Millennium Declaration: human resources development

Report of the Secretariat

Summary

The achievement of the goals set out in the United Nations Millennium Declaration calls for an efficient and effective public administration, which depends on well-functioning institutional structures as much as on skilled, dedicated and highly motivated public servants. Human resources development is a critical factor in ensuring that the development goals outlined in the report of the Secretary-General on a road map towards the implementation of the United Nations Millennium Declaration (A/56/326) are effectively achieved. Public servants' skills need to be constantly upgraded and leadership qualities enhanced, and new career structures that emphasize mobility, integrity and professionalism must be developed in order for countries to elaborate and implement reforms for social and economic development. The present report explores some key dimensions of human resources development, including leadership and vision; human resources competencies and training; performance and conditions of work; ethics and integrity; the management of diversity and gender; empowering public service users; and meeting the special needs of Africa. Recommendations on capacity-building strategies in this area are also presented.

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Contents

		Paragraphs	*Page*
I.	Introduction	1–5	3
II.	Leadership and vision	6–12	4
III.	Human resources competencies and training	13–19	5
IV.	Performance and conditions of work	20–22	6
V.	Ethics and integrity	23–25	7
VI.	The management of diversity and gender	26–27	7
VII.	Empowering public service users	28–30	7
VIII.	Meeting the special needs of Africa	31	8
IX.	Recommendations	32	8

I. Introduction

1. The achievement of the goals set out in the United Nations Millennium Declaration (General Assembly resolution 55/2) calls for an efficient and effective public administration, as well as for sound governance systems. Public administration generally and public sector human resources capacity specifically have a critical role to play, directly and indirectly, in the successful implementation of the Declaration's vision and its key objectives. Among the key objectives identified, public administration is fundamental to achieving human rights, democracy and good governance. In addition, public sector human resources capacity is a key precondition for the achievement of the other key objectives, including peace, security and disarmament; development and poverty eradication; protecting our common environment; protecting the vulnerable; meeting the special needs of Africa; and strengthening the United Nations. Building public sector human capacities in terms of knowledge, skills, motivation and commitment, networks and mastery of information technology is crucial in order to be able to translate the values, objectives and goals of the Declaration into nationally owned policies, strategies and action. In fact, the performance of public institutions depends on well-functioning institutional structures as much as on the quality of the people who work in them. Skilled, dedicated and highly motivated public servants are essential for carrying out reforms that are effective and sustainable in the long term, as well as responsive to the changes that are occurring both at the local and global levels.

2. As is well known, Governments throughout the world have been called to adjust their governance and public administration systems to the new challenges of the third millennium, and are increasingly being pressured by global and local trends. Globalization — in the form of trade and investment liberalization policies, technological innovation, the reduction in communication and transportation costs, entrepreneurship and global social networks — is forcing countries that wish to benefit from it to undertake a number of reforms. To integrate effectively into the world economy, countries need to adapt their policies to changing circumstances, restructure the role of the State and increase the effectiveness and efficiency of State operations. Similarly, local trends — including democratization and decentralization — are increasing citizens' demands for changes in policies, structures and services. As a consequence, public sector employees need to be able to interpret and adapt those trends to their national context and increase their capacity to analyse future trends in order to take a proactive rather than reactive approach to both local and global changing needs.

3. Contemporary management theory also highlights the value and role of learning organizations in trying to reconcile those difficult dilemmas which Governments must face and, furthermore, equip them to manage change effectively. In relation to developing countries and countries in transition, attention should be drawn to four areas of need, all of particular moment to the steering tasks of the state:

(a) Management of change. The state must be in the forefront of implementing change and smoothing the path for progress. That entails adopting proactive measures to develop enabling policy frameworks, enhance human resources capacity, promote the use of new technologies, set up performance measurement and evaluation systems, overhaul administrative structures and design adequate patterns for the collection of internationally comparable, reliable and accurate data for policy-making purposes;

(b) Administrative reform. In the light of current trends, bureaucratic structures no longer work effectively. De-bureaucratization and decentralization must go in tandem with new approaches to management, exemplifying openness, adaptability, participation, flexibility, diversity and responsiveness. Many new tasks of governance require public authorities to act as mediators, advocates or promoters, actively seeking partnerships with business and non-governmental organizations, or otherwise endeavouring to engage civil society in the pursuit of developmental objectives;

(c) Human resources development. Skills must be constantly upgraded, leadership qualities developed, change facilitated and a new image fostered for the public service, which calls for new career structures that emphasize mobility, integrity and professionalism and the overriding claims of merit in the recruitment, placement and promotion of public servants;

(d) Information. Timely availability of adequate, reliable, accurate and relevant data has become a sine qua non not only of sound policy-making but also of the measurement, monitoring and evaluation of public sector performance. The United

Nations Programme in Public Administration and Finance is playing a vital role in mobilizing and disseminating such information of essential importance to Governments, notably through the United Nations Public Administration Network (see E/1998/77).

4. In an era of rapid change and globalization, a learning organization necessarily becomes a changing organization; that is, it learns to listen and to respond to messages that come from its environment. Furthermore, in today's global village, that never-ending process cannot, as in the past, take place under the cover of high protective barriers. Consonant with that approach, it should be underscored that all Governments, especially those of developing countries and countries in transition, should accord priority to strengthening capacities in human resources capacity development, public policy formation and public service management.

5. The present report explores some key dimensions of human resources development, including leadership and vision; human resources competencies and training; performance and conditions of work; ethics and integrity; the management of diversity and gender; empowering public service users; and meeting the special needs of Africa. Recommendations on strategies for human resources development are also provided.

II. Leadership and vision

6. The achievement of the objectives contained in the report of the Secretary-General on a road map towards the implementation of the United Nations Millennium Declaration (A/56/326) depends upon a visible, strong and consistent leadership, both political and administrative. Improvement in performance of government services is not likely to occur without the overt and enthusiastic support of top leadership. Government leaders, in a wide variety of institutions, need to be technically competent, politically astute and skilled in building consensus and partnerships. Although there are many models of governance systems, every model has some mechanism(s) for developing leadership, including the selection, recruitment and training and level of teamwork in various governmental institutions. Both managerial and technical competencies are needed in order to translate a vision into strategies, programmes and activities for development. The improvement of leadership skills is key to achieving development successes, especially in a highly complex and volatile international environment.

7. The capacity to adjust to changing circumstances and face the emerging challenges demands leadership skills and strategic planning capacities. Specifically, it calls for:

(a) Sound analytical and diagnostic capabilities;

(b) Careful scanning of the environment for possible constraints or emerging opportunities;

(c) The ability to galvanize and mobilize support for both the goals and course of organizational change;

(d) Building the structures and culture of dialogue and mutual accommodation;

(e) Encompassing diversity, reconciliation of differences and promotion of consensus;

(f) Management of change in both a peaceful and effective manner.

8. It follows that although, under today's conditions of swift technological progress, any change should incorporate extensive expert advice, a learning organization cannot consider reform in purely technocratic terms. In today's fast-moving world, a process of reform and capacity-building must also encompass clients' and partners' perspectives. It should seek to build not only on knowledge and expertise but also on intuition, vision and aspirations (mission statements) because it views success as clearly predicated on:

(a) Inclusion, integration, participation and empowerment of all key factors, actors and stakeholders;

(b) Team-building, a key element of motivation;

(c) Social or organizational peace and cohesion.

9. For analogous reasons, change and capacity-building in a learning organization cannot any longer be approached through the traditional, authoritarian and bureaucratic methods. Although they seek to inject an element of continuity, consistency and predictability, which all organizations and societies require in order to operate effectively, the structures and process of change in learning organizations must also induce acceptance of the following:

(a) A high degree of uncertainty, in an often volatile and turbulent global environment;

(b) Flexibility consistent with a rapid, non-linear change process in an age of discontinuity.

10. The nexus between leadership and reform efforts has several dimensions. In one respect, leadership provides the impetus for reforms. Leadership is also critical to the implementation process. Many Governments are establishing sensitization and skill-building programmes for top leadership, often not only for senior civil servants but also for politicians and leaders of private-sector organizations and non-governmental and community-based organizations.

11. The implementation of the road map depends upon a civil service that can see into the future, analyse policy options, estimate impact and target programmes to agreed-upon goals. Those functions need to be exercised in a transparent manner and with the full participation of citizens. Not only should citizens be involved in policy formulation but they should also be given an opportunity to express their views on policy implementation. Rather than reinforcing the "expert" attitude common in many bureaucracies, civil servants need to engage citizens in all stages of policy and programmes development. Only with citizen engagement can policies and programmes be sustainable.

12. Civil servants also need to be trained in strategic planning with a view to enhancing widespread public participation, thereby maximizing social agreement and sustainability. Implementing national and global strategies requires careful attention to the management of human resources within pluralistic organizations. To develop and manage a global organization implies developing and managing people who can think, lead and act from a global perspective, and who possess a global mind as well as global skills. Among the desirable traits and skills, cultural empathy and adaptability are increasingly demanded. Senior managers have to be able to understand the international implications of their work. Traditional training and development approaches fall short of what is required for globalization. The context in which people work must be modified in order for them to adopt different behaviours which will change their attitudes and have a long-term influence on their values.

III. Human resources competencies and training

13. The road map underscores the importance of fostering among public servants cognitive competencies, technical skills and attitudes, which in many developing countries are in short supply and need to be developed. Indeed, in most developing countries and countries in transition, the gaps in skills have often been substantial among high-level and lower-level staff.

14. Continuous learning in the public sector is an imperative in our turbulent environment, in which new challenges and opportunities arise with great frequency, traditional skills become obsolete and more demands are being made on Governments. In fact, the role of the state has significantly changed over the past two decades. It has shifted from hands-on management and the direct production of goods and services to regulatory functions and strategic planning. Prominence has been given to the establishment of an enabling environment for private sector growth and individual initiative. Furthermore, with the advancement of globalization, the context in which the state operates has dramatically changed. Increasingly, it must respond to demands and pressures at the local, national and global levels. Information technology has altered in many ways the interface between government, the private sector and civil society.

15. Advances in citizen-friendly approaches involve greater abilities to adapt to evolving citizen needs and to manage changes in focus and operations. Public servants need to appreciate the important role of citizens in providing feedback on the efficiency of public services and the performance of the public sector in general. Often, responsiveness to citizens requires teamwork within units and between units of government, as well as partnerships between Governments and non-governmental organizations and the private sector. Although the values of fairness and equity continue to be paramount, public servants should also receive and indeed approach citizens as individuals in their own context and with their own needs.

16. Public servants should also develop specific skills to deal with conflict and situations which may lead to violence. A commitment to peace and security demands enhanced international cooperation in conflict prevention and strengthened capacities to assist

countries in building, keeping and restoring peace. It is now increasingly recognized that the most effective way of managing conflict is to handle it at levels where it has not erupted into violence. That requires adequate human capacities in terms of knowledge, skills, attitudes and networks to integrate conflict analysis, early warning definition, dispute handling and conflict management systems design into the policies, processes and practices of governance and public administration in order to avoid the fire-fighting approaches that get deployed when violent conflict breaks out.

17. To cope with its numerous new responsibilities, public organizations need to develop new skills, and perhaps more importantly to instil a new culture of continuous learning. The concept of the state as a "learning organization" is gaining momentum. There is an increasing awareness that top-down approaches in public management and bureaucratic closure do not respond efficiently to change and do not allow for active participation and initiative of civil society actors in policy-making processes. Given the conditions of rapid change, skills need to be constantly revised and upgraded. Public officials need to be prepared for continuous learning and to build a culture of dialogue and tolerance for diversity. The issue of continuous learning arises most pointedly in developing countries and countries with economies in transition that have to address the problems of volatile economies, widespread poverty and, often, ethnic conflicts.

18. Continuous learning in public organizations seems to be particularly necessary in the following areas:

(a) Expertise at all policy levels. Technocratic knowledge should be replaced with a more interdisciplinary approach to policy-making, especially at the senior level. Public officials should also keep abreast of current developments in their substantive fields;

(b) Managerial competencies. Increased leadership skills, quality awareness, problem-solving tools and group process skills, such as leading meetings, teamwork and making presentations, are especially important in a learning organization. Developing negotiation and mediation skills is also crucial in an increasingly interdependent world;

(c) Information technology. Keeping up with the explosion in information and communication technologies challenges those in the public sector to constantly renew and upgrade their skills and to expand their competencies.

19. In many countries, public sector reforms are under way and training of civil servants should be directly linked to the reform processes. The reconfiguration of the role of the state and the development of new responsibilities should be matched by relevant skills in the public sector. Most significantly, public officials should be trained to embrace a culture of learning and to see themselves as active agents of change. In the short run, that entails establishing incentives for those who want to learn. In the long run, learning should become an interiorized value.

IV. Performance and conditions of work

20. The achievement of the millennium development goals depends upon a high-performing Government. In order to assess what improvements are necessary in the public sector, performance measurement techniques must be developed. Through such a process, an organization continually learns about its performance and can strengthen its impact. Performance-based organizational programmes can improve effectiveness (getting the real job done), efficiency (reducing costs) and productivity (getting the real job done at least cost), through such strategies as performance measurement, benchmarking to exemplary standards, and quality and incentive programmes.

21. The achievement of the millennium development goals also depends upon a government that places special importance on reaching the most remote and disadvantaged citizens. Although, theoretically, performance improvement involves all programmes and all recipients of those programmes, special attention should be devoted to the ability of highly performing programmes to reach all possible recipients. It is not unusual for a programme to be targeted to those that are most easily reached and most willingly accessible. That strategy is inadequate if the overall goal is poverty reduction, for example. The most impoverished are usually the most difficult to reach.

22. Finally, the achievement of the millennium development goals depends upon civil servants who, by

virtue of their conditions of work, can focus on their duties. High levels of performance require the adoption of strategies to improve work conditions, such as working hours and work arrangements, professional training and development, reducing rigidities and red tape, improving the use of technologies and competitive remuneration.

V. Ethics and integrity

23. The achievement of the millennium development goals depends upon an ethical civil service. Promoting ethics and combating corruption in the public sector directly contribute towards implementing many of the goals set out in the Millennium Declaration. Public servants need to deliver public services and goods in an ethical manner. Any diversion of public resources into private pockets by malfeasance, misappropriation or conflicts of interest directly reduces available resources for the achievement of development goals. Furthermore, systemic corruption results in the erosion of the rule of law, discourages private investment and stymies democracy. The road map mentions the need to combat corruption within the context of strengthening the international rule of law (see A/56/326, para. 29), increasing private capital flow to finance development (ibid., para. 134), and allowing more genuine participation by all citizens (ibid., para. 218).

24. In terms of appropriate human resources capacity in the public sector for achieving Millennium Declaration objectives, corruption can be viewed as one symptom of poor administration and mismanagement. Those conditions allow unscrupulous public officials to exploit opportunities to put self-interest above public interest, contrary to the requirements of their positions. The challenge is to preserve the integrity of other "honest" public officials by putting into place an "ethics infrastructure" that not only rewards good conduct but also administratively sanctions misconduct and punishes corrupt acts through criminal and civil procedures. Public servants are the stewards of public resources and guardians of a special trust that the citizenry has placed upon them. They are expected to put public interest above self-interest.

25. A set of rules and commonly accepted practices guide and manage good conduct in the public sector. Clear civil service and public sector employment laws and regulations outline the legal responsibilities, rights and standards of conduct for public sector personnel. A career system based on the merit principle, which fairly and impartially recruits and promotes public servants, implements such rules and standards. A well-articulated and fair incentive structure, including appropriate remuneration, training opportunities and disciplinary procedures, makes possible such a career system. A culture of professionalism, transparency and accountability can be nurtured by the example of top leadership, both political and administrative, as well as keen oversight by the public. As integrity is expected, so must it be exemplified and monitored.

VI. The management of diversity and gender

26. The achievement of the millennium development goals depends upon a civil service that respects diversity and gender within its institutions and in its interactions with the public. The goal of working collectively for more inclusive political processes, allowing genuine participation by all citizens in all our countries (see A/56/326, para. 218) recognizes the importance of inclusion in realizing human rights, democracy and good governance. A key strategy to realizing that goal involves encouraging States to develop and implement programmes that support pluralistic institutions, periodic elections and other democratic processes, in conformity with international human rights standards (see A/56/326, para. 220).

27. Good governance extends beyond the confines of the elite members of society. It demands fair treatment of all citizens and government needs to be seen as treating all citizens fairly. Good governance involves sensitivity to others' perspectives, especially when the "others" are different from each other. The greater the diversity in society, the more respect is required to promote harmonious relations. For people to thrive in the same space, they need to be sensitive to each other's perceptions, needs and styles of behaviour. Mutual respect extends to the inclination to conciliation, willingness to compromise and skills for negotiation.

VII. Empowering public service users

28. The achievement of the millennium development goals depends upon an active citizenry. Although public servants can be well intended, trained,

motivated and enthusiastic, their efforts will achieve a limited spectrum of success without the active participation of the citizenry. Indeed, some citizens are unaware of the services government can provide, while other citizens receive government services but are unaware that they can influence the nature, amount, types and delivery mechanisms of those services. The road map goal of more inclusive political processes is based on the understanding that ensuring democracy requires good governance, which in turn depends on inclusive participation, transparency, accountability and the promotion of the rule of law. All national actors, including NGOs and the private sector, must interact constructively to achieve democratic and representative outcomes (see A/56/326, para. 218). Among the several strategies proposed to reach that goal, providing assistance to government efforts to involve civil society in policy-making decisions and supporting government efforts to strengthen local governance in urban and rural areas are worthy of note (see A/56/326, para. 220).

29. In order to have an impact on the services they receive, citizens need to be educated in basic skills, communication skills and civic education. Citizens need to be able to read, write, speak and listen. Although that prescription appears to be simplistic, more than a few societies fail to spread basic skills throughout the population. And although providing basic education skills — literacy, numeracy and electronic familiarity — seem to be the responsibility of basic educational institutions, those skills cannot be taken for granted and need to be included in the "learning by doing" action of citizen participation in various government activities, such as policy debate and service delivery.

30. Similarly, citizens need to be aware of their governance environment, that is, the institutions and processes for decision-making, the opportunities for participation, the up-to-date information on current events, and the cycles of decision-making, observation and intervention. Vehicles of communication, such as an active and free media, are essential to lively citizen debate relevant to decision points. Without citizen input, policies and programmes may have minimum impact and, at times, result in outright failure.

VIII. Meeting the special needs of Africa

31. Pursuant to the Millennium Declaration, in the road map the Secretary-General highlighted meeting the special needs of Africa as a key objective. The goal of giving full support to the political and institutional structures of emerging democracies in Africa (see A/56/326, para. 24) was identified as a starting point. The strategies identified for reaching that goal include supporting the democracy and governance programmes of the New African Initiative, which includes targeted capacity-building focused on public sector management, administrative and civil service reform and strengthening parliamentary oversight, and encouraging Governments to nurture democratic values, ideals and institutions to develop independent judiciaries and media (see A/56/326, para. 243).

IX. Recommendations

32. In light of the above, it seems that normative activities and technical cooperation efforts should:

(a) Assist Member States, through leadership development strategies and mechanisms, including high-level seminars and colloquia, in improving leadership and management skills;

(b) Assist Member States in designing and delivering training through innovative methods, such as individualized training, on-site work-group training, training sequenced over time and computer-assisted training in the following areas: negotiation skills; policy analysis; human resources management; economic and financial management; programme management in social sectors; information technology; benchmarking and performance measurement; and monitoring and evaluation. Particular attention should be devoted to assisting countries in developing appropriate skills to deal with globalization (knowledge, skills, attitudes, sensitivities and networks);

(c) Assist Member States in developing the human resources capacities required as a result of the recommendations proposed in the other reports submitted to the Committee;

(d) Assist Member States in increasing public service use of information and communication

technologies to monitor performance, as well as in promoting learning, improving service delivery, and increasing access to information by both public servants and citizens;

(e) Assist Member States in developing ethics infrastructures in the public sector, including codes of ethics and conduct for public sector employees; strengthening the capacity of institutions that implement conflicts-of-interest policies and investigate ethics violations and administrative aspects of corruption charges; developing training materials on ethical behaviour for civil servants; disseminating existing material in other United Nations official languages to make it more accessible; and conducting policy research on how to promote ethics and combat corruption in the public sector;

(f) Assist Member States in researching the dimensions of diversity and ways of dealing with differences, developing training materials concerning behaviour that expresses respect for diversity, and strengthening the capacities of public managers, especially policy formulators, and decision makers in the area of conflict analysis and management;

(g) Assist Member States in promoting active citizenship, through policy dialogues, strategic planning exercises and programme implementation, and in developing civic education training curricula and modules on a number of key governance issues, including the basic organization of the state, the rights and responsibilities of citizenship, basic service standards, the importance of participation in public dialogue, and the knowledge and use of negotiation skills. Often referred to as co-production, citizen groups can play a key role in connecting grass-roots citizens with government programmes;

(h) Implement and monitor the Charter for the Public Service in Africa, follow up on the findings of a regional comparative study on public service ethics in Africa, give support to African initiatives that promote regional integration, such as the New Partnership for African Development, and encourage and participate in research on public administration themes that are particularly relevant to the region, such as managing diversity.

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Enhancing the capacity of public administration to implement the United Nations Millennium Declaration

The critical role of public administration and good governance in implementing the United Nations Millennium Declaration: institutional capacity development

Report of the Secretariat

Summary

Effective public administration systems, as well as good governance in general, have a critical role to play in the implementation of the development goals outlined in the United Nations Millennium Declaration. Improving and reforming governance systems and institutions, including strengthening public sector capacity, is crucial for alleviating poverty, making globalization work for all, enhancing citizens' participation at all levels of governance, protecting the environment, promoting sustainable development and preventing and managing violent conflicts. Despite the progress made by many countries in building democratic institutions and protecting human rights, democracies in some regions of the world are still fragile and their institutions are too weak to ensure effective governance. In the light of the above, the objective of the present report is to review priority issues and provide strategic and programmatic recommendations for institutional capacity development, with particular reference to legislative and judicial institutions, central management agencies, public sector management and innovation, local government and decentralization, public participation and partnerships, and institutional instruments of peace and security. Reference is also made to the need to strengthen institutional capacity development to meet the special needs of Africa.

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Contents

		Paragraphs	Page
I.	The United Nations Millennium Declaration as a new paradigm for development	1–11	3
II.	Reinforcing institutions for a democratic and effective state	12–40	5
	A. Legislative institutions	13–17	5
	B. Judicial institutions	18–19	6
	C. Central management agencies	20–23	7
	D. Public sector management and innovation	24–28	7
	E. Decentralization and local governance	29–31	8
	F. Public participation and partnerships	32–34	9
	G. Institutional instruments of peace and security	35–40	10
III.	Supporting institutional capacity development to meet the special needs of Africa	41–42	11
IV.	Recommendations	43	11

I. The United Nations Millennium Declaration as a new paradigm for development

1. The United Nations Millennium Declaration provides a vision for the world in the twenty-first century. It is a vision of a peaceful, prosperous and just world, which reaffirms the purposes and principles of the Charter of the United Nations. It reflects the commitment of Member States towards ensuring peace, security and disarmament; promoting development and poverty eradication; protecting our common environment; upholding human rights, democracy and good governance; protecting the vulnerable; and meeting the special needs of Africa. Through the Declaration, heads of State and Government emphasize that as leaders they have a collective responsibility to uphold principles of human dignity, equality and equity at the national and global levels. At the same time, they recognize that particular efforts should be made to protect the most vulnerable. The Declaration stresses that one of the greatest challenges of our times is to ensure that globalization becomes a positive force for all the world's people. That goal cannot be achieved unless there is a concerted effort at the global level to formulate and implement policies and measures which aim to effectively integrate developing countries and countries with economies in transition into the world economy. The Declaration further stresses the need to strengthen the United Nations and to make it a more effective instrument for pursuing all of these priorities (see General Assembly resolution 55/2, para. 29).

2. The report of the Secretary-General on a road map towards the implementation of the Declaration (A/56/326) outlines the potential strategies for action that are designed to meet the goals and commitments made at the Millennium Summit of the General Assembly. It identifies 53 development goals, including 18 specific targets. Drawing on the work of Governments, the entire United Nations system, including the Bretton Woods institutions and the World Trade Organization, intergovernmental organizations, international organizations, regional organizations, and civil society, the road map suggests paths to follow and shares information on best practices which could be helpful in achieving the key objectives and goals of the Declaration. By highlighting issues, strategies, targets and indicators, the road map provides action guidelines for Member States, citizens, communities, regions and international bodies.

3. As stated in the road map, it is crucial that the millennium development goals become national goals and serve to increase the coherence and consistency of national policies and programmes (see A/56/326, para. 81). The critical role of good governance in implementing the above-mentioned goals emerges, either explicitly or implicitly, throughout both the Declaration and the road map towards its implementation. In speaking about governance, however, one should adopt the widest possible definition, which goes well beyond the sometimes narrow interpretation of "political" governance. In fact, governance refers to the exercise of not only political but also economic and administrative authority in the management of a country's affairs at all levels. It encompasses yet transcends the state to include the private sector and civil society organizations. As such, governance refers to the ability to manage the economy, mobilize resources, ensure a degree of social justice, promote an enabling environment for individual pursuits and ensure peace and security.

4. In analysing the role of good governance in the implementation of the Declaration, it is necessary to focus on the cornerstones of the capacity to govern, which include institutional capacity, policy-making capacity, administrative/managerial capacity, human resources development and technological adequacy. One of the main conclusions which can be extrapolated from the Declaration and its goals is that state capacity in the above-mentioned areas is the paramount factor for its successful implementation. Effective democratic governance and an efficient public administration are, arguably, among the most important elements in the promotion of a country's national development agenda. In fact, improving and reforming governance systems and institutions, including strengthening public sector capacity, is critical for addressing a number of issues, such as alleviating poverty, making globalization work for all, enhancing citizens' participation at all levels of governance, protecting the environment, promoting sustainable development, and preventing and managing violent conflicts. As stated in the Millennium Report (see A/54/2000, para. 15), the challenges that we confront today are beyond the reach of any state to meet on its own. At the national level, we must govern better, and at the international level, we must learn to govern better together. Effective States are essential for

both tasks, and their capacity for both needs strengthening.

5. Although governance systems and institutions are relevant, they cannot fulfil their ultimate role unless they are rooted in a coherent value framework. It is important to note that the Declaration represents a major paradigm shift in values in that it upholds the need to foster and strengthen democratic governance at both the national and international levels. It suggests that everyone, especially those who have the power to make public policy choices, refer in this process to a set of values that include freedom, equality, solidarity, tolerance, respect for nature and shared responsibility. Those values should constitute the foundation of government action and be protected by the rule of law and by an independent judiciary. Democracy, which allows people to express their choices and hold Governments accountable for their action, is thus essential in achieving the development goals set out in the road map.

6. Although the belief in certain values is very important, political commitment is also crucial in implementing the goals of the Declaration. As emphasized in the road map States need to demonstrate the political will to carry out commitments already given and to implement strategies already worked out. This will require hard decisions and courageous reforms in all States and all areas of policy from cuts in energy consumption to more transparent and accountable governance and the reallocation of public resources towards projects that benefit the neediest groups in society, as opposed to the most influential (see A/56/326, paras. 7 and 8). There is a direct link between a given set of values, the political will to do certain things and the political commitment to achieve certain objectives, and the results achieved.

7. The Declaration names freedom as the first value among those promoted as core values for the new century. It goes on to define it as freedom from hunger, from fear of violence, from oppression or injustice, from the threat of living on a planet spoilt by human activity. It reflects the commitment of the heads of State and Government to free our peoples from the scourge of war, whether within or between States, as well as to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty (see General Assembly resolution 55/2, paras. 6, 8, 11 and 21).

8. Seen from that perspective, the value of freedom, which is at the basis of any democracy, can incorporate all other values suggested by the Declaration, whether as entitlements and capabilities or as rights and freedoms. In particular:

(a) Equality can be seen as freedom from exclusion (especially in the case of women) or as the right to access, to choose the life a person values most;

(b) Solidarity (especially in burden sharing) can be defined as freedom from economic and social injustice;

(c) Tolerance can be depicted as an entitlement to the respect for one's beliefs, culture or language;

(d) Respect for nature can be described as an entitlement to live in a clean environment, or as freedom from suffering from environmental degradation;

(e) Shared responsibility can be equated with the capability to be active in shaping the world's future.

9. The Declaration also refers to the value of solidarity as the vehicle for equal distribution of costs and burdens, in accordance with principles of equity and social justice, stating that those who suffer or who benefit least deserve help from those who benefit most (see General Assembly resolution 55/2, para. 6). The development literature often refers to three kinds of solidarity: among people, among regions and among generations. An important aspect of solidarity is the recognition of and respect for human dignity and creativity. The latter implies that individuals value human solidarity as a way of ensuring that every person has the opportunity to live out his or her creativity to the fullest of its potential.

10. In the light of the above and as a contribution towards the implementation of the goals of the Declaration, the reports of the United Nations Secretariat prepared for the Committee of Experts on Public Administration will concentrate on exploring the many ingredients necessary to foster good governance and will provide recommendations on enhancing public sector capacity to implement the development goals set out in the Declaration. It is important to realize, however, that more specific governance instruments may be required to implement the goals of the Declaration in well-defined sectors, such as health, HIV/AIDS, conflict management and

prevention. For the sake of logical progression, the reports will only partially deal with those more specific sectoral areas, and will concentrate instead on the overarching capacity-building needs of developing countries. It is hoped that the Committee will identify during its first session sectoral areas of analysis which could be pursued at a further stage of the discussion.

11. The objective of the present report is to review priority issues and provide strategic and programmatic recommendations for institutional capacity development. Recommendations concerning capacity development in the areas of human resources, information technology and financial management are contained in three separate reports. Readers should bear in mind the linkage among those complementary capacities since all the dimensions of state capacity are interrelated and essential for ensuring that the state performs its functions in an effective and efficient manner. They are reviewed in separate reports for convenience of discussion only.

II. Reinforcing institutions for a democratic and effective state

12. Despite the progress made by many countries in building democratic institutions and protecting human rights, democracies in some regions of the world are still fragile and their institutions are too weak to ensure effective governance. As indicated in the road map, the effort to promote and build democracies should begin by establishing fair and periodic elections, an independent judiciary, a transparent government and a vibrant civil society; states that respect the rights of all their citizens and allow them a say in decisions that affect their lives are likely to benefit from their creative energies and to provide the kind of economic and social environment that promotes sustainable development (see A/56/326, para. 205). Broadening partnerships between all stakeholders, such as civil society and the private sector, is also one of the main ingredients towards development and the eradication of poverty (ibid., para. 82).

A. Legislative institutions

13. One of the main preconditions for implementing the goals of the Millennium Declaration is for countries to have in place effective and transparent legislative bodies. Democracy and the rule of law presuppose capable legislatures that can adequately represent and articulate the demands of their constituencies, check the power of the executive through effective oversight and make consistent and coherent laws. To that end, the road map underscores that ensuring democracy requires good governance, which in turn depends on inclusive participation, transparency, accountability and the promotion of the rule of law. The first strategy outlined for moving forward in that direction is precisely to encourage States to develop and implement programmes that support pluralistic institutions, periodic elections and other democratic processes, in conformity with international human rights standards (see A/56/326, paras. 218 and 220).

14. According to the *World Public Sector Report, 2001*, parliaments are the main forum for reaching agreements and concrete solutions to compelling problems such as the eradication of poverty, improvement of health and education services, public security and administration of justice, as well as the fight against corruption. As is well known, in most developing countries parliamentary institutional capacities are severely constrained. In order to perform at their best, legislative bodies need to be functional, accountable, informed, independent and representative. In particular:

(a) They must be functional: they must allow for deliberation, decision-making and oversight through strong, representative committees and task forces; they must exchange information and perspectives with the executive, businesspersons in the private sector and representatives of civil society;

(b) They must be accountable: they must link in a responsible manner to the other branches of government and report to the public (the electorate);

(c) They must be informed: they must be informed to understand complex issues and determine the likely impact of proposed legislation; they must have the capacity to gather well-researched, correct and timely information, to analyse, organize relevant documents and retrieve such information, or to provide a link to sources and analyse the data for legislative purposes;

(d) They must be independent: they can and do initiate legislation, and accept, modify or reject proposals emanating from the executive and other stakeholders;

(e) They must be representative: they listen to and respond to the demands of the electorate (universal), as well as maintain continuous linkage with the electorate.

15. Strengthening legislative, representative and oversight institutions includes reinforcing both national and local government councils. The latter can exercise considerable legislative power in terms of debating policies, by-laws and ordinances, oversee actions of the local executive and represent the people in the local community. Furthermore, strengthening local electoral bodies can contribute directly to poverty reduction, the protection of the environment and the provision of services to the most vulnerable. Equally essential for a strong national legislative process is the maintenance of local offices where citizens can meet with legislators and their staff in order to make proposals, air their complaints and express views on pending legislative matters. It is in local rather than national legislative meetings that the voice of the people is most often heard. In meetings of neighbours, each and every voice can be expressed openly and proposals debated. When citizens and organizations have the opportunity to voice their needs and perspectives, they are more likely to participate in nation-building programmes and compromises.

16. Legislatures, like all organizations, require effective systems for human resources development, financial management and up-to-date information systems. The development of research capacities and the management of legislative proposals are also basic requirements of well-functioning legislative bodies. Sometimes, partisan offices, such as majority, minority or coalition offices, perform special legislative functions, such as interest articulation and interest aggregation. Those units contribute to the initiation, consideration, amending and passing of legislation.

17. Election institutions are responsible not only for voter registration and civic education but also for the many technical aspects of carrying out the balloting and counting processes. However, in countries where institutional capacities for management and administration of electoral processes are weak, elections have often resulted in civil strife, wars and political instability, thus undermining the democratic process that they are supposed to promote. Therefore, in order to promote a peaceful alternation in power, capacities for managing electoral processes should be strengthened.

B. Judicial institutions

18. The Declaration places particular emphasis on strengthening judicial systems and their role in upholding and protecting the rule of law. Many developing countries have weak judicial systems and are faced with situations where laws may be outmoded and out of tune with international norms or even out of tune with the culture and traditions of the countries themselves. It should be borne in mind that legal and judicial frameworks extend beyond national, modern and written systems. In many countries, there are customary laws that govern common interactions within society. Sometimes, there is no legal connection between formal and customary systems of jurisprudence. Often, where colonial powers have drawn arbitrary national boundaries, there are multiple customary legal systems operating within the same country. Furthermore, changes in colonial and post-colonial influences have resulted in multiple formal legal systems operating simultaneously. Although all countries need to sort out that conundrum of differing legal regimes, countries engaging in regional cooperation are under great pressure to harmonize their legal regimes. The optimal pragmatic position for law reforms and judicial reform is to ensure a compromise and complementarity between traditional/customary judicial systems and modern ways of administering justice, while at the same time championing harmonization of national, regional and international laws and conventions. In the context of globalization, no legal system should ignore the existence and significance of any other.

19. Reforming the administration of justice is crucial for minimizing the impunity that often leads to insecurity, injustice, corruption and abuse of public office and power, and discouragement of long-term investment. Further, lawlessness and weak judicial systems are not conducive to a favourable investment climate and development. In traditional societies, particular attention should be devoted to establishing alternative dispute resolution mechanisms which are more in line with local forms of justice. Countries that have committed themselves to implementing the Declaration must be supported in harmonizing their domestic laws with international obligations (see A/56/326, para. 20).

C. Central management agencies

20. The central management agencies of national Governments of Member States have a key dual role to play: they must be both directive and supportive. The central agencies are usually composed of ministries or agencies that support political decision-making (secretariat services to the cabinet or council of ministers) and manage planning, finance, public expenditure, personnel and real estate property. On the one hand, central agencies need to be directive through maintaining the overall management framework for government administration and coordinating the implementation of the policies of the Government of the day. On the other hand, the Declaration provides a special impetus for the central agencies to be supportive by empowering the line or operational ministries to achieve specific targets.

21. For attaining Declaration targets, the primary role of the central guidance function is to develop consensus on a vision, to formulate a long-term strategy in the identified sectors and to coordinate the implementation of that strategy administration-wide. That implies that the central agencies need to approach the line ministries as internal clients, to be assisted in implementing Declaration targets at the country level. That approach requires the agencies to put in place processes for consulting the line ministries before introducing new administrative and management policies or changes to existing ones. It also requires a shift in the mindset of the central clusters' staff from one of command-and-control to service-orientation in dealing with line ministries' staff. In carrying out both roles, the central agencies need to set up a new coordination mechanism or build into an existing one a process and system for monitoring and evaluating the implementation of specific Declaration goals. Those tasks, though seemingly straightforward, can be daunting in resource-poor countries and/or those with historically weak institutions. The central agencies in such countries need assistance in building up or reinforcing their capacity for directive and supportive action.

22. Although specific functions differ from country to country, those central guidance institutions usually set regulations for staffing, use of funds, care of facilities and material; represent executive institutions before courts of law; and guide day-to-day operations through long-term planning and immediate-term coordination. It is common for central guidance institutions to represent executive institutions before the legislature, as well as before the courts, thereby presenting a united front for the executive branch that can then be held accountable before the electorate. Although some assertive public institutions do not welcome the direction of the central guidance institutions, public servants and the public are well served by the consistency and stability provided by the rules and regulations emanating from central guidance institutions. The central guidance institutions also monitor the performance of the operational institutions, collecting and analysing data that can be used by institutions both to share innovations and identify weaknesses, as well as to encourage performance improvement programmes. From time to time, as conditions change, the central guidance institutions carry out reviews of the structures and functions of public institutions, often resulting in reorganization or restructuring of the operational institutions. Occasionally, institutional reviews are carried out on a proactive basis in order to position government for future challenges.

23. Likewise, central guidance institutions often review the operations of local administrations and local member States. Although an institution responsible for supervision of local government, such as "internal affairs, interior or local government", generally carries out day-to-day supervision of government activities at the grass-roots level, the central guidance cluster can enter the "local" arena if there are strategic reasons to do so, either because of malfeasance or because of emerging challenges.

D. Public sector management and innovation

24. The functions and role of the state have been transformed substantially. The general configuration of its responsibilities has changed, which has introduced important modifications both in the policy arena and in the state's requirements for high-level skills, qualitatively and quantitatively. Overall, the role of the state has shifted, in varying degrees, from controlling the economy to steering it, from the direct production of goods and services to the provision of an enabling environment for economic development and the promotion of an enabling framework for private enterprise and individual initiative. At the same time, a

number of tasks and functions that were traditionally handled by national Governments are now being increasingly transferred to the local level and to the intergovernmental or supranational levels. As a consequence, the role of the public sector is changing in response to pressures from a number of stakeholders. Citizens are demanding enhanced integrity and accountability of government actions; the private sector is urging for the creation of a sound market environment and regulatory framework; and supranational and global institutions are demanding greater national compliance with global standards. In the light of the above, the public sector needs to adapt its capacities and skills to cope with twin challenges — how to effectively respond to citizens' growing demands and at the same time cope with the requirements of the global economy.

25. As forcefully stated in the road map, the achievement of the millennium development goals depends upon a well functioning public sector. In particular, the road map underscores the relationship between public sector management and the goal of poverty reduction. It underlines that strategies for moving forward in halving by the year 2015, the proportion of the world's population whose income is less than one dollar a day and the proportion of people who suffer from hunger, include (a) ensuring support for country-led economic and social initiatives that focus on poverty reduction, (b) strengthening capabilities to provide basic social services, and (c) assisting capacity-building for poverty assessment, monitoring and planning (see A/56/326, paras. 86, 108, 119 and 121).

26. Public institutions embody the public interest, and they serve as the repository of the public's aspirations for the future and the means of implementing and attaining those aspirations. Performance-based organizational programmes can improve effectiveness (getting the real job done), efficiency (reducing costs) and productivity (getting the real job done at least cost), through such strategies as performance measurement, benchmarking to exemplary standards, and the introduction of quality and incentive programmes.

27. Coordination among public sector institutions is essential in achieving Declaration targets. The state is the linchpin or hub of activities connecting partners and stakeholders. It is essential that central agencies be assisted in introducing and maintaining effective inter-agency and inter-ministerial cooperation. A multitude of organizational and administrative tasks need to be carried out in communicating with and obtaining the cooperation of all ministries. The central agencies also need a robust common information management system, whether computerized or manual, for tracking the overall progress of policy and programme implementation, evaluating the performance of line ministries, providing input into political decision-making and managing accountability of resources utilized.

28. Public institutions and the public itself cannot know how well institutions are operating unless there is regular, thorough and transparent assessment of government operations. Such assessment involves up-front investment in data collection, measurement tools and mechanisms for analysing information, as well as an organizational culture of sharing information among institutions. Although formative internal evaluations are useful for performance improvement, inter-institutional evaluation serves as a safeguard against potential abuse of power. As much as possible, operational and performance data should be archived for the purposes of evaluation, training and organizational learning.

E. Decentralization and local governance

29. As part of the democratization process, decentralization, which involves a shift of some or all responsibilities from a central government to local administrations and/or local governments, has been promoted to varying degrees and with varying outcomes in different countries. Conditions for its success include capable national Governments to prompt, initiate, monitor and guide the process of political and financial decentralization, as well as the creation of an adequate financial resource base for local governments to function properly. The success of decentralization reforms also depends on consistent and coherent national policies, sound legislative and regulatory frameworks for decentralization, and effective review mechanisms to solve disputes between central and local government. Not all countries have opted to run public affairs through decentralized governance structures and systems; however, there are many that have promoted decentralization as a way to strengthen democracy, accountability, people-centred economic development and citizens' empowerment.

30. The delegation of functions to local governments requires significant capacity for policy development and implementation. Scarcity of capacity at the local level is a continuing issue for late-developing countries. Often inefficient management occurs at both the national and local levels because accountability systems are weak or non-existent. Thus, decentralization requires strategies not only for adequately resourcing local governments/entities but also for holding local public institutions accountable for programme operations and outcomes that they must achieve in the framework of the national development strategy. A strong centre, with a relevant enabling environment, is also an essential prerequisite for meaningful and effective decentralization.

31. The road map makes specific reference to decentralization and urban dwellers, but many of the same issues apply to all local communities, both urban and rural. For instance, in order to achieve by 2020 a significant improvement in the lives of at least 100 million slum dwellers, actions to move forward include (a) ensuring support from the international community for the provision of basic social services, such as safe water and sanitation, to the urban poor, (b) ensuring the development of integrated and participatory approaches to urban environmental planning and management, and (c) ensuring good urban governance and planning by forging public-private partnerships (see A/56/326, paras. 121 and 206).

F. Public participation and partnerships

32. The road map places high priority on the establishment of mechanisms that allow citizens to voice their demands and be active partners in all stages of policy decision, implementation and evaluation. Partnerships are a very important instrument for fostering a more participatory approach to governance, but in order for people to actively be engaged and participate in the public arena they must have minimum levels of education. People can best participate when they can read, write and understand political discourse, when they can engage in social interaction on an equal basis, and when they can initiate and maintain economic and social activities. Literacy and understanding contribute to the ability to vote in political elections, read laws, policies and reports, and share ideas and perspectives.

33. Civil society empowerment encourages diversity of views, the sharing of individual and organizational responsibility, learning-focused strategies, and the advancement of formal leaders who serve as stewards of their societies. Meaningful involvement includes, from most passive to most active, (a) awareness of current conditions and future orientations, (b) participation in social, political and economic activities, and (c) initiative in developing policy programmes for the future. With awareness, participation and initiative, citizens can influence their surroundings and contribute to its development. Opportunities for civil society involvement include both interest group politics and consultative institutions, such as policy conferences. leadership summit meetings and community consultations. The empowerment of civil society further entails the facilitation and encouragement of civil society organizations as platforms for individual participation in policy dialogues, and access to means of communicating views and perspectives. Civil society organizations institutionalize and give voice to public concerns. Under optimal governance conditions, public institutions welcome initiatives and feedback from citizens, and respond actively to expressed needs and viewpoints. Although lively public dialogue can be time-consuming, the agreement and commitment that results from that exercise often leads to greater sustainability of public policies and programmes. Public dialogue can be an investment in social cohesion and dynamic economic development.

34. Participatory governance training is an effective way to energize a society for achieving shared goals. For example, multi-organizational and multi-level governance training that involves not only local government officials and staff but also citizen-constituents and representatives of central government encourages local governance. Effective capacity-building of local government can best be achieved by recognizing key elements of the context and integrating that context into the training, that is, learning the skills of communication, coordination and interaction between local government, citizens and representatives of line ministries.

G. Institutional instruments of peace and security

35. It is increasingly being recognized that most of the violent conflicts that have unsettled the world and curtailed efforts for development are a consequence of failures in governance and public administration systems. The Declaration stresses that peace and security are achieved not only through short-term conflict prevention but also and especially through long-term governance and development efforts. Although efforts to stop violence where it has erupted are necessary, governance institutions should have the requisite institutional and human capacities to foresee possible sources of violent conflict and attempt to avert them.

36. Democratic governance institutions contribute to stability and peace by creating mechanisms and processes to resolve disputes, share perspectives and balance competing societal interests. Conflict prevention implies institution-building or creating institutions that ensure the peaceful coexistence of all social forces within a given polity. Only by creating strong institutions that are able to mediate and channel diversity and conflict can there be lasting peace. The most important measure in that respect is to foster institutions and mechanisms that promote non-exclusionary politics. The rules of the game should ensure that no active political force is excluded from governing, and that everybody agrees upon the basic rules of governance a priori, which implies creating institutions that are able to reconcile differences arising from strong social and political cleavages. Particular attention should also be devoted to establishing courts of justice that are perceived as legitimate by all social actors.

37. The actual eruption of destructive conflict depends largely upon the degree to which national and local leaderships and institutions of governance have the capacity to manage tensions, such as ethnic/religious differences and selective marginalization or exclusion, before they deteriorate into violence. The goal of conflict prevention is not to prevent conflict per se but rather to prevent the mismanagement of a situation of conflict so that it causes or results in violence, repression, institutional maladministration or structural injustice. Effective management of conflict aims not only to prevent or limit negative consequences of violence, exclusion or disaffection but also to generate positive outcomes that can result from the synergy of competing viewpoints, from consensus-building around divisive issues, from joint problem-solving and ultimately from the transformation of antagonistic dynamics between conflicting communities into tolerant relationships that can empower communities to develop peacefully and sustainably.

38. Equally in stable and non-violent situations, conflict management principles and concepts constitute an essential element in the everyday work of Governments. Infusing conflict analysis and management techniques into internal and external, governance practices can help government administrators to improve decision-making and coordination among ministries, resolve policy issues between branches of government, and smooth out implementation problems among tiers of government and with civil society. Improving conflict management skills will also assist government officials in enhancing their communications and manage negotiations with civil society, organized labour and the private sector, as well as with bilateral donors and intergovernmental agencies. A two-pronged approach needs to place special emphasis on strengthening conflict-mitigating institutions, such as ombudsman institutions, minority commissions, national and local mediation centres, human rights offices, contemporary and traditional judicial systems, alternative dispute resolution systems, and the educational institutions which train human resources for all of the above. In addition, conflict management skills and sensitivity need to be infused broadly into the policies and programmes of all government offices, both internally and in their interface with the public.

39. In post-violence situations, the re-establishment of public administration and governance systems is a sine qua non on which to build sustainable peace. The central challenge is that government institutions, which are among the first to disintegrate in violent conflict, must often be rebuilt from disarray, and moreover in ways that do not recreate the former conditions in which the seeds of conflict were sown. Violent conflict results in part from a failure of government to manage competing interests in ways acceptable to their civil society. Thus, the re-establishment of governance systems must embody structures, institutions and a balance of powers to ensure that conflicts are managed

sufficiently so that competing social groups do not become so disaffected as to resort to violence again

40. In the aftermath of violent conflict, the restoration of security and the rule of law, the delivery of basic services, effective coordination, the training of human resources, the formulation and implementation of equitable development strategies and the empowerment of civil society and the private sector are among Governments' most daunting tasks. But, first and foremost, the challenge is to restore social capital and co-create, with civil society, a framework for social integration and sustainable peace. A key role that the United Nations can play in the reconstruction of administrative systems is in the formulation of governance policies and strategies that reverse polarization, lessen exclusion and promote reconciliation in order to transform the conditions that led to violence into those that will underpin the peaceful management of conflict and coexistence.

III. Supporting institutional capacity development to meet the special needs of Africa

41. Although it may be argued that African countries require the same institutional capacity development support as mentioned above, it must be recognized that the situation of those countries in terms of poverty and development requires special attention; indeed, the road map aspires to take special measures to address the challenges of poverty eradication and sustainable development in Africa. Despite substantial progress over the last decade, democratic institutions and practices remain fragile in many African countries. Public administrations have a critical and multidimensional role to play in consolidating legislative, judicial, administrative and economic management institutions, among others. The efforts made by African leaders to develop a region-wide development policy framework, such as the New Partnership for Africa's Development, should receive special support from the United Nations system.

42. Although it is not possible to make generalizations about the whole continent, there are some key governance areas that deserve particular attention, including:

(a) Strengthening strategic planning, central guidance and coordination among governance institutions;

(b) Developing conflict-management institutions;

(c) Reinforcing local government;

(d) Ensuring the adherence to the rule of law by strengthening the legislative process and the judiciary, and by empowering civil society;

(e) Developing leadership skills for envisioning, strategizing and guiding Africa's development within the global arena.

IV. Recommendations

43. **In the light of the above, it seems that normative activities and technical cooperation efforts should:**

(a) Support Member States in strengthening and institutionalizing democratic elections and parliamentary and electoral systems and processes by developing electoral management institutions and mechanisms, reinforcing the organization and management of legislative bodies at the national and local levels, articulating a system of legislative offices at the constituency level, and fostering participatory dialogues that facilitate communication between the electorate and their representatives about policy initiatives and proposed legislation;

(b) Assist Member States in strengthening their judicial institutions at both the national and local levels, by harmonizing legal regimes within the country and with regional and international legal standards and practices, linking the appeal of local decisions to national appeals processes, developing and/or strengthening informal mechanisms to deal with disputes through mediation, conciliation and arbitration, and making legal texts, norms and regulations accessible to all people by ensuring, among other things, that they are translated into all relevant languages, using plain words;

(c) Support governmental central guidance institutions by strengthening their ability to plan, strategize, coordinate and monitor national policy to reduce poverty and deliver services, articulating planning systems that link national and local

planning mechanisms, with full citizen participation at all levels, and defining clear responsibilities and coordinating mechanisms among executive and legislative branches;

(d) Support Member States in their efforts to modernize their public sector and to improve their public service delivery by benefiting from other South-South innovative experiences;

(e) Assist Member States in developing a reliable and transparent evaluation system by improving mechanisms for the collection, analysis and reporting of operational and performance data and by developing management information systems for sharing information among public institutions and with the public, including archival, recent and real-time information;

(f) Support Member States in reinforcing the decentralization process and local governments' institutional capacities by developing a clear vision for the future based on a comprehensive strategy for poverty reduction and sustainable development, ensuring a clear distribution of tasks, roles and responsibilities and an equitable repartition of finances and human resources between central and local governments, strengthening fair and transparent accountability systems and procedures at all levels, promoting an enabling environment for citizen participation and establishing mechanisms for the resolution of disputes arising between central and local governments;

(g) Assist Member States in promoting participatory governance by reinforcing and institutionalizing the participation of and partnership with all stakeholders;

(h) Support Member States in developing and/or strengthening institutions and procedures for the peaceful management of conflicts, which can be best addressed by (i) infusing conflict-sensitive principles and practices into all aspects of governance, public administration and development, and (ii) formulating targeted interventions that specifically aim to develop national institutions and capacities for the management of conflicts and disputes;

(i) Provide support to African Governments, in close collaboration with regional bodies and institutions as well as international organizations, in their efforts to implement strategies for poverty eradication, by strengthening policy formulation and participative governance programmes, and by strengthening capacities for local governance, transparency and accountability, diversity and conflict management, civil service reform and leadership development.

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Capacity of the public sector to support the creation and application of knowledge, innovation and technology for development

Report of the Secretariat

Summary

The United Nations Millennium Declaration and the report of the Secretary-General on a road map towards its implementation call for numerous knowledge, innovation and technology (KIT)-related interventions, as well as for general KIT capacity-building at the national level. Together, they recognize those tools as critical inputs for meeting pressing development goals in the areas of governance, economic development, protection of the environment, poverty alleviation and health, and for the betterment of society as a whole.

Although the promise of KIT is very real, as is evident from closer examination of sectoral and cross-cutting applications, unlocking their potential and realizing the equal distribution of their benefits will require a nuanced approach and a number of deliberate actions. Policy makers must consider the full continuum of a society's ability to produce, acquire, adapt, diffuse and appropriate knowledge, innovation and technology — whether existing, new or emerging and whether indigenous or exogenous. That will involve a number of substantive goals, policies, processes, actors, activities and structures. Moreover, it is proposed that a systems approach be adopted that addresses processes, dependencies, complementarities and the complex

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dynamics between the above components. That could lead to more successful KIT initiatives and empower developing countries over the longer term. It is equally important that KIT also be directly connected to development policy, frameworks and strategies.

The present report was prepared with reference, inter alia, to the sources listed in document E/C.16/2002/7, annex.

Contents

		Paragraphs	Page
I.	The United Nations Millennium Declaration and knowledge, innovation and technology	1–10	3
II.	Knowledge, innovation and technology systems	11–18	5
III.	National knowledge, innovation and technology systems: role of the public sector	19–25	7
IV.	Value-added activities	26–41	8
V.	Conclusions and recommendations	42	12

I. The United Nations Millennium Declaration and knowledge, innovation and technology

1. Throughout the United Nations Millennium Declaration (General Assembly resolution 55/2) and the report of the Secretary-General on a road map towards its implementation (A/56/326), knowledge, innovation and technology (KIT) feature prominently as key resources that must be marshalled if those laudable goals are to be realized.[1] Although many explicit references are made to those tools, there are many more implicit references and numerous ways in which KIT can be applied to many of the development challenges contained in the Declaration and road map.

Information and communication technologies

2. In the Declaration, the General Assembly resolved to ensure that the benefits of new technologies, especially information and communication technologies (ICTs), are available to all (see General Assembly resolution 55/2, para. 20). With respect to ICTs, the road map describes them as potent instruments for accelerating broad-based growth and sustainable development and for reducing poverty, and within the recommended strategies for moving forward, it cites the need to promote universal and affordable access to ICTs; create ICTs for development strategies; support human resources development and institutional capacity-building; and build partnerships, including with the private sector (see A/56/326, para. 61). Moreover, the suggested reporting theme for 2004 is "Bridging the digital divide". ICTs can be a facilitating tool in almost every area of the Declaration, improving the quality, reach and timeliness of many development solutions and generally enhancing information and knowledge flows.

Transforming government and governance

3. Since government is a central player in realizing each of the goals contained in the Declaration, developing its capabilities and effectiveness cannot be stressed enough. There are repeated references in the Declaration and road map to good governance and democracy, including improved capacity for public service delivery of basic social services, public administration reform, integrated planning, increased citizen participation in decision-making, decentralization, transparency, accountability and combating corruption. Although technologies are not specifically mentioned, there are calls for innovation and new mechanisms for achieving the above. Foremost among those innovative tools and means for realizing improved capabilities are ICTs and the pursuit of e-government. E-government has tremendous transformative potential if used in support of good governance objectives, and can significantly change the way in which government approaches its mandate, solves development problems and interacts with other government agents, citizens and business. It can give rise to a new paradigm of governance: one that places citizens at its centre, responds to their needs and expectations, and is based on the tenets of transparency, accountability and participation.

4. There are numerous rewards in the social, economic and government arenas, as well as multiple challenges, associated with e-governance initiatives. However, one of the benefits to be derived from the strategic application of ICTs in government is of particular importance and has multiple impacts, namely, increased transparency through the provision of information and knowledge.[2] E-government allows for greater transparency of government activities, processes and decision-making, and can reduce corruption, a significant barrier to development. Transparency can also engender greater trust in government and a willingness of citizens to participate in the processes of governance, thereby improving the prospects for democratic governance. E-government also provides additional channels for interaction and participation. Moreover, greater ICT-enabled transparency opens governments to public scrutiny, allows citizens to assess their performance and provides a mechanism for accountability. Those aspects of transparency can in turn help to ensure the relevancy and effectiveness of public service delivery. The greater provision of information, as well as knowledge, also enables the policy maker and the citizen to make more informed and judicious decisions. Such redistribution of information flows and the elimination of asymmetries can have considerable impact on decentralization, overall power relations and the empowerment of civil society. Concerning knowledge as a key to the functioning of a participatory and effective democracy, the road map also emphasizes the need for better access to state information, and for greater freedom for the media and channels to receive and impart information. E-government strategies consider those issues as well.

Economic development and poverty alleviation

5. Technology — a basis for increased productivity — lies at the heart of long-term economic development and can accelerate poverty alleviation. Moreover, globalization has fuelled a knowledge-intensive economy and has enhanced the value of ideas, intellectual capital and the ability to innovate, which can offer important opportunities for developing countries to upgrade and reshape traditional industries by establishing linkages with a wider set of knowledge inputs, including the local knowledge base. Technology, innovation and knowledge serve as key drivers of productivity and give a competitive edge to firms. They can embody improved capital goods, innovation in processes and efficiency gains, or result in a more productive worker who has access to better health care or more nutritious food. Ultimately, increased productivity and technological possibilities can lead to growth of entirely new sectors (from small and medium-sized enterprises (SMEs) to industry level) and improvements in traditional sectors, which may lead, in turn, to real income growth, increased employment opportunities, and, if equitably distributed, improvements in the quality of life society-wide. In that sense, KIT may offer increased possibilities for youth employment, one of the goals of the Declaration. Additionally, ICTs and knowledge-based service industries offer considerable possibilities for the economic development of small island States and landlocked countries, also key goals of the Declaration.

Sectoral applications

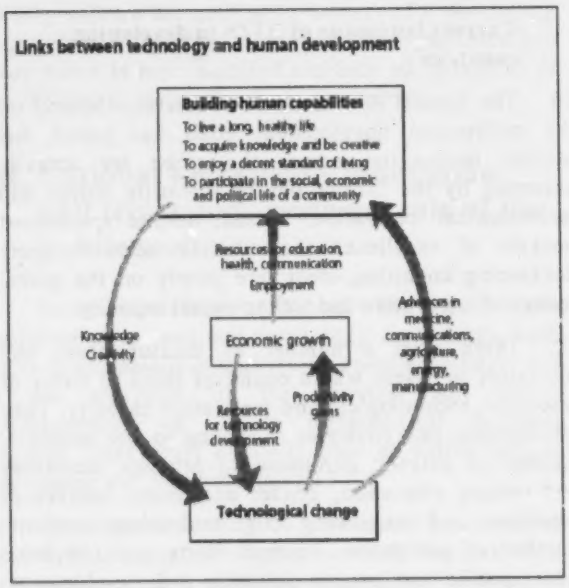
6. Health care and the challenges of infectious and other diseases are of major concern in the Declaration and road map. Technology and knowledge are particularly critical inputs to that area of development. The road map points to the need for greater access to affordable medicine and drugs while supporting the process of innovation, and particularly welcomed national efforts to promote innovation and the development of domestic pharmaceutical industries to ensure medicine for all; increased research and development on advanced medicines for those diseases that primarily affect developing countries and other technologies for the poor; enhanced immunization and vaccination programmes; general strengthening of health-care systems; access to technologies related to HIV/AIDS; and the dissemination of knowledge and research. There are a range of technologies and innovative approaches available to meet those goals, as well as tools for their management, particularly ICTs.

7. There are several references to technology within the Declaration's provisions concerning the environment, including environmentally sound technologies and the utilization of pollution abatement technology. The Declaration also cites the need for the World Summit on Sustainable Development, to be held in Johannesburg in 2002, to address new technologies and fully consider the impact of the revolutions in technology, biology and communication. Moreover, the road map decidedly states that all should share equally in the benefits arising from genetic resources and should carefully assess biosafety issues, particularly with regard to genetically modified living organisms. Beyond that list of technological interventions, knowledge and technology related to water management, the prevention of land degradation and several other environmental issues contained in the Declaration can be aided by KIT practices (e.g., geographic information systems for environmental management).

8. At the cross-sectoral level, in addition to ICTs there are a number of other KIT systems that reach across multiple millennium development goals, including biotechnology and basic scientific research. For example, scientific knowledge underlies the understanding of mineral, land, forest and marine resources and their sustainable use, and is critical in identifying the problems which development efforts must address, such as epidemiological knowledge of the patterns and causes of human and animal disease and hydrological knowledge of the patterns and causes of pollution. As regards biotechnology, the emerging science of genomics, indeed much of modern genetics, signals a paradigm shift that is taking place at the heart of modern science, with profound implications for developed and developing countries alike. Biotechnology solutions are being developed in health care, in the environment (such as genetic engineering of crops for improved pest resistance) and in adding value to economic development (such as the use of enzyme technology for improving the quality of textiles). Finally, innovation is not limited to technical issues but should be encouraged in a social context as well. Innovation should apply to creative policy solutions, technical or otherwise, across all aspects of development and by all members of society.

KIT and development

9. The dynamics between development and KIT are complex and mutually reinforcing. As noted in the *2001 Human Development Report*, technology is not a reward of development but is a tool for growth and development, much like education. Nor should it be presented as a dichotomous choice: either technology or development. Indeed, many policy makers and development experts agree that building science and technology capacity helps developing countries to create the social capital necessary for development, particularly in a globalizing world. Moreover, there is now greater emphasis on knowledge and creative wealth as the heart of society and of development. The chart partially illustrates the dynamics between KIT and development.


Links between technology and human development
Building human capabilities
To live a long, healthy life
To acquire knowledge and be creative
To enjoy a decent standard of living
To participate in the social, economic and political life of a community
Resources for education, health, communication
Employment
Economic growth
Knowledge
Creativity
Advances in medicine, communications, agriculture, energy, manufacturing
Resources for technology development
Productivity gains
Technological change

Source: UNDP, *2001 Human Development Report*.

Note: In addition to the elements in the present chart, there are other conditions within society that will affect successful technology diffusion and use, namely ancillary development and the socio-economic and political climate. Technology and knowledge are often only partial solutions to what are often not only technical problems but also socio-political problems with a technical component. For example, excellent local knowledge about farming techniques, coupled with new variants of seeds being diffused throughout society, may be powerful KIT tools for improving crop productivity or nutrition. However, unless the gender dimensions of appropriation are understood, or at a higher level, political stability or basic physical infrastructure of the country are in place, food security may still be hindered, no matter how promising the technology. In other cases, knowledge and innovation can have truly transformative effects, and those impacts on society should also be understood.

10. Both the benefits of KIT and the risks associated with exclusion will have even greater implications for developing countries today than in the past given the confluence of several factors, including the information revolution, the exponential pace of developments in other scientific and technological applications, the forces of globalization and the increasing pressures faced by developing countries (such as epidemic diseases, the depletion of natural resources, the demography of young populations or continued access gaps in mature technologies). Therefore, the concerns of the Declaration and road map about KIT access, transfer and capacity-building are of special importance.

II. Knowledge, innovation and technology systems

Features

11. The effective elevation, enhancement and harnessing of KIT by public administration and the rest of society should be addressed in the context of a society's ability to produce, acquire, adapt, diffuse and appropriate KIT, whether existing, new or emerging and whether indigenous or exogenous. That involves a number of substantive goals, processes, actors, activities, and structures. The internal dynamics — including dependencies and complementarities — of those components are complex. For example, the fostering of medical research and development to address some of the most prevalent diseases affecting the poor will be less effective if not accompanied by concurrent efforts to strengthen national health systems and channels of delivery. One cannot address the issue of environmentally sound technologies in isolation from economic policy and trade-related technology transfer. Moreover, innovation policy will have less impact if local learning processes are not in place. Therefore, capacity-building and KIT development should be based on an approach which examines and attempts to address the systemic linkages between those components.

Infrastructure

12. Underlying KIT is its infrastructure, which comprises, inter alia, institutions and actors, such as government science and technology councils, public and private research institutes, academia, professional associations, firms and industry, NGOs, local communities, and the fluid relationships between them; physical infrastructure, such as communication, rural health-care clinics, transportation and electricity; policy instruments and legal/regulatory frameworks, including intellectual property rights, standards, contract laws, privacy issues, trade policy and global policy regimes, such as the World Intellectual Property Organization (WIPO), the World Trade Organization (WTO) and other standard-setting bodies; risk management capability, such as biosafety issues and monitoring; research and development by both the public and private sectors; and human capacity, such as primary education (general and science and math skills), tertiary education, specialized capacity, vocational training, general technological literacy and the quality of learning. In addition, ancillary support structures and their dynamics with KIT should be fully understood.

Processes

13. KIT is not only about static products and goods but also about their associated processes. At the highest level is the overall process of catching up, getting ahead and leapfrogging with regard to KIT development. At the next level are the processes of KIT acquisition, generation, adaptation, diffusion and appropriation. Within those levels, there are multiple sub-processes taking place, including learning cycles which generally come with fairly high transaction costs, require learning by doing and temporal stages, and involve putting new KIT systems into productive use.

Sectoral applications

14. A KIT system considers the strategic development of sectoral applications, policy and capacity (such as biotechnology, ICT, energy and health care), and identifies synergies between sectors and cross-sectoral applications. KIT should be integrated within and should also take into account other development sectors, such as economic development, environment and agriculture.

Society

15. KIT systems are not objective, nor are they inherently good or bad, but instead are embedded in social, cultural, political and economic structures, and embody the values of the society in which they are created and applied. They should also be situated in the context of globalization, changing capital markets and new societal and developmental challenges. An understanding of those interactions is critical to ensuring that KIT is relevant and successful in meeting human needs and the millennium development goals. Who is taking decisions on KIT and what are their priorities and interests? Do those decisions reflect the development interests of society? When examining the appropriation of KIT, the impact of new knowledge and innovations on social and cultural practices should not be ignored.

Current landscape of KITS in developing countries

16. The Special Adviser to the Secretary-General on the millennium development goals has stated that income inequalities across the globe are actually exceeded by the inequalities of scientific output and technological innovation. Indeed, despite specialized pockets of excellence that can be seen in some developing countries, most fare poorly on the global ratings of innovative and technological capacity.

17. There exist a number of measurements and indicators to assess where countries stand in terms of scientific, technological and innovative capacity. They traditionally rate countries according to, for example, number of patents; enrolment in primary, secondary and tertiary education; gender enrolment, number of scientists and engineers; high-technology exports; number of computers, Internet hosts and telephone lines; public and private research and development; foreign direct investment (FDI); or diffusion of agricultural and manufacturing technologies. In terms of many of those benchmarks, developing countries are lagging significantly behind. So as not to reproduce voluminous tables, only the following general statistics are offered:

(a) Some 22 nations in the world (all developed countries) account for 90-95 per cent of all research and development spending, including both public and private spending;[3]

(b) Some 15 per cent of the world's population provides nearly all the world's technology innovations, while perhaps half the world's population is able to adopt those technologies and the remaining third of the world's population is technologically disconnected;

(c) Some 37 countries can be considered technological leaders or potential leaders, a handful of which are developing countries; 26 developing countries make up the dynamic adopters, while the remaining 95 developing countries fall into the marginalized or other category (for which sufficient data was not available — itself a meaningful indicator).

18. While they add up to a fairly gloomy picture, many of the above figures do not capture the local or informal knowledge and innovation that exists at the individual and community levels, much of which is relevant, important and could be better tapped. Neither do they capture the qualitative aspects of a developing country's KIT systems. However, those statistics and those found in more detailed accounts are indicative of the challenges facing developing countries.

III. National knowledge, innovation and technology systems: role of the public sector

19. Governments have traditionally had a hand in the evolution of science and technology capabilities, both in the development of underlying knowledge bases and in the provision of the physical and policy infrastructures on which technological progress depends. They must similarly play an active part in developing and strengthening KIT.

20. An essential function of government is correcting market failures, and the degree to which they exist in a developing country will also determine the level of government activism in KIT development. Market failures pose a significant challenge to the ability of developing countries to use KIT systems to meet basic human needs on the whole and many of the goals of the Declaration in particular. Indeed, developing countries are often beset with dynamic market imperfections associated with learning, as well as static ones, such as those associated with regulating competition. Moreover, there are considerable barriers to the application of technology to public goods, resulting in serious underprovision. For example, there is currently underinvestment in many infectious and other developing country diseases because the private sector does not see commercial gain to be had for research and development investments due to, inter alia, the inability of beneficiaries to pay for treatment. Moreover, often the size of a developing country's market is not sufficient to warrant investment in specific aspects of KIT, which depend on a critical mass of ideas and technology. Finally, it must be made clear that products developed in northern countries cannot merely be transplanted to developing countries. It has been pointed out that not only are developing countries poorer but their markets are qualitatively different. Indeed, they can face entirely different demographic and geographic conditions which affect the adoption of knowledge and technologies. Therefore, a viable KIT system may rely on government to overcome some of those market barriers through supply, as well as to facilitate the enhancement of markets and respond to demand. On the other hand, there are also many areas where the markets function well and should be encouraged to operate without government intervention. An effective private sector and civil society free from excessive control will also be critical to KIT development.

Strategic frameworks and policy connected to development

21. A primary role of government in supporting the development of KIT systems is its function with regard to policy development and implementation, which can take several forms, including national strategies, enabling environments, and sectoral strategies and measures. Within each of those, there is a need for more sophisticated policy frameworks that will respond to the complex processes that have been discussed in the previous section.

22. Government action can have a major impact by setting an overall strategy and action plan related to a country's KIT systems. It can provide the impetus for KIT development by formulating a vision and serving as a leader. It can play a key role in setting substantive priorities and goals and coordinating the development of a broad conceptual framework that is based on a systems approach. To that end, government can initiate a participatory process which brings together multiple stakeholders and results in a holistic and people-centred KIT strategy. As part of that process, it can also help to ensure that there is public interest and understanding through awareness-raising

and deliberative discussions, which entails highlighting the promises but also being realistic about their delivery and honest about the risks. Moreover, in fulfilling its public service obligations, government should attempt to understand the dynamics between KIT and development and place them both squarely on the country's agenda. In the process, government can also define the possibilities for the utilization of KIT in the public sector, for instance in e-government. The objective of the strategy and action plan should be to think and act strategically and in a way that suits local demands and contexts, resisting any impulses to introduce technology anywhere and everywhere or to put in place imitative frameworks.

23. In the implementation stage, government can also lead the effort to take stock of existing technological and institutional capacity at the national, enterprise and community levels, which might extend to key sectors as well, such as ICT and e-readiness assessments. However, all of those exercises should be part of a regular assessment process and not a one-time exercise, and should be done when government is prepared to act on the findings. Government should also devise, in concert with other stakeholders, a realistic action plan (with the traditional attributes, such as benchmarks and monitoring and evaluation). The proper timing and sequencing of policy instruments, as well as the design of appropriate incentive structures and institutions so that both credible pre-commitments and feasible implementation and enforcement devices are in place, should also be carefully considered. Moreover, while KIT systems can take up to a generation to be put into place, the implementation plan should consider immediate and targeted interventions that can make a difference in the short and medium terms.

Creating an enabling legal and regulatory framework

24. A second key aspect of policy development is the creation of an overall enabling environment that will allow not only government but other key actors, such as civil society, academia and the private sector, to benefit from and contribute to the development of a national KIT framework, which might include a transparent legal and regulatory system; trade policy; setting the conditions for attracting FDI; developing a balanced intellectual property rights regime that combines incentives and better protection of developing country assets with fair use and recognition of the interests of the poor; telecommunications policy; security and privacy policy; commercial policy; and environmental, biosafety and health regulations.

Sectoral policy

25. Beyond a national strategy, government should develop and strengthen sectoral technology strategies and/or policies consistent with the KIT framework and national goals. For example, in the case of ICT, sectoral policies can build upon and complement KIT by focusing specifically on e-literacy, ICT private sector development and entrepreneurship, connectivity and the applications of ICTs to development, among others. Moreover, the KIT framework should also mainstream and integrate scientific and technological policy and understanding into non-technical sectors, such as the environment, where it can help to ensure that reciprocal contingencies are addressed, such as the importance of the basic rule of law and good governance for effective technology transfer through FDI or the integration of KIT into poverty reduction strategies and economic policy. All of which implies a certain amount of cross-disciplinary thinking and an integrated approach to problem solving by all actors involved.

IV. Value-added activities

Research and development and strategic technology or knowledge development

26. Innovation and knowledge have strong public good properties, which hinder the attainment of optimum levels of investment in technology by the private sector. Since it is difficult for private firms to capture all the benefits of such investments, total research and development spending, if left only to private sources, will result in underinvestment and the loss of many potential social benefits, especially in such areas as the environment, health care and other public service-related activities. Therefore, government-sponsored research and development is generally considered to be a public good. Research and development constitutes fundamental research from which many scientific and technological innovations arise often by chance or in other cases through deliberate design. It is also a step in the process of adaptation of external or internal knowledge and technologies to local or differing conditions. Ultimately, government-sponsored research and

development and technology development can be instrumental in ensuring that KIT is meeting the needs of the poor. As highlighted earlier, much global research and development is focused on northern needs, and to the extent that the poor face distinctive challenges from the rich, science and technology must be directed purposefully towards them.

27. There are several challenges associated with public research and development, in addition to basic resource barriers. One is to better link inputs from the grass-roots level and traditional knowledge to research and development. Another is to better connect the outputs of research and development to actual products and services (commercial or social, e.g. new medicines), through linkages with research labs, industry and SMEs and others. Another challenge is to promote competition and avoid crowding out the private sector, where viable. To that end, government can also encourage private-sector research and development and technology development, especially if it focuses on the needs of the poor, through a variety of incentives, including fiscal measures, such as loans, research grants, subsidies and matching funds.

Partnerships

28. For the purpose of targeting transboundary issues or public goods where there are considerable market failures, the creation of national or regional niches or cluster partnerships can make a decisive difference. However, there are many conditions that determine whether a partnership will succeed and they must therefore be carefully constructed and not seen as a panacea. There are also challenges in ensuring equity in the relationships between actors and the distribution of benefits, and dealing with the aspect of competition with regard to research or product development with commercial potential. Specific tools available to government in encouraging partnerships include establishing a networking infrastructure; designing a regulatory framework to ensure that the rights and obligations of partners are respected; providing a forum for the exchange of information and discussion; promoting funding, research and development projects; and promoting basic absorptive capacity.

Government as knowledge broker

29. As one of the biggest producers and consumers of information and knowledge and given both its policy-making role and its interest in promoting knowledge for development, government can act as a knowledge broker in support of KIT.[4] There are several ways in which it can effectively execute its brokerage role.

Making available its own information/knowledge

30. On the whole, government information and knowledge can serve as key inputs into many development goals and can be crucial in overcoming coordination failures across many sectors. The instrumental role played by government in so many facets of society and our daily lives affords it access to and control over national knowledge resources from the central to the local level and offers the advantage of economies of scale. But although much government information exists in the public domain, much of it is dispersed, unorganized and inaccessible. Therefore, the challenge to government lies in how to extract, codify and deploy its information and knowledge in a meaningful way. That can be done through a variety of devices, such as one-stop-shop portals, databases, web sites, networks and traditional technologies (such as print, radio and television), and through intermediaries at the local level. It also requires addressing issues of trust, privacy, timeliness, quality, relevance and the increasing complexity in providing data, information and explicit or tacit knowledge.

Promoting diversity and pluralism of knowledge and sources of information/knowledge

31. Although government is an important source of information and knowledge, it is not the only one. Therefore, in the interest of promoting knowledge for development, government should also seek to promote a diversity and pluralism of knowledge, which entails greater recognition of different and valuable knowledge systems by society, including traditional and local knowledge and innovation systems which contain extremely rich experience and insights across a range of development issues and should be utilized and protected. Government, through its extension workers and local offices, can actively tap and promote those resources. Other forms of knowledge can also be promoted by encouraging debate within society and soliciting input from citizens on public policy issues. Where important knowledge is privatized, government may wish to purchase or engage in creative partnerships that makes private knowledge more readily available to society. Government can also facilitate the development of the national content

industry, including broadcast, film, publishing; software and information services. The active role of public universities and libraries in making diverse sources of knowledge available and designing education policy will also be critical in enhancing the intellectual and creative capacity of society.

Promoting the capacity of government and non-State actors to disseminate/utilize/integrate new knowledge and to convert information into knowledge

32. Without the capacity and mechanisms for society to absorb information and knowledge, their full impact will not be felt. Absorptive capacity will depend on many of the issues outlined earlier, including learning cycles, basic levels of education and technological literacy. Cultural issues surrounding the social appropriation of new knowledge must also be addressed by government in its policies and capacity-building activities: these include traditional practices, gender dynamics and factors of control. Within government, the sharing and utilization of new knowledge may require incentives and rewards, as well as the portrayal of those activities as a means of enhancing power and relevance, rather than as giving up power or admitting ignorance. Moreover, a culture of innovation should be encouraged.

E-government and enabling policy

33. Sharing government information and knowledge, as well as the other exchanges described above, will necessitate the development of e-government strategies. E-government strategies should address the overall enabling policy and regulatory environment. Information policy, such as laws on access to information, privacy and security, regulation of media and freedom of speech, and intellectual property rights, is of particular importance. Furthermore, e-government policies can facilitate access to information infrastructure by promoting connectivity and networking. Finally, they can address critical organizational, cultural and knowledge management issues within government and generally highlight the importance of technology for development.

Building KITS infrastructural capacity for public administration and society

Human resource development

34. A long-term strategy for human resource development and continuous investment in a country's education system are of the utmost importance. General enrolment, especially that of girls, in primary and secondary education is a key goal for any government and is a goal of the Declaration as well. However, higher enrolment rates should be coupled with improved quality of education and curriculum development, a greater focus on basic mathematics and science skills and technological literacy, and the facilitation of creative learning and learning-by-doing. Given the challenge of demographic trends in developing countries and the goal of the Declaration that focuses on youth employment, targeting the next generation of innovative and intellectual skills will be essential. Beyond primary and secondary education, government can fund or provide incentives for more specialized tertiary education and vocational or apprentice schemes and skill development. For all countries, especially least developed countries, an understanding of and building capacity for local learning cycles related to KIT is of special relevance. At the broader level, government support of FDI and partnerships can also facilitate practical learning.

Public administration

35. At the level of public administration, policy makers and public officials must have themselves or have at their disposal those with a basic capacity to understand KIT-related issues, including an understanding of the possibilities of technology as an input to a development solution, the suitability of alternative technologies (both indigenous and external), trade-offs and risks, the technological implications of policy decisions, and the ability to assess contradictory scientific evidence. Scientific and technological decision-making, whether in a pure technology sector or a non-technology sector, is key to problem-solving and long-term planning processes. An understanding of KIT and its sub-components is particularly important when looking at the capacity of policy makers on the international stage and their ability to affect or influence international policy regimes whose impacts are considerable. Moreover, the technological and innovative skills of extension

workers and agency officials working on the front line are equally critical. Yet, for all those actors, skills and understanding will have to shift with the ever-changing landscape and new developments in technology. Therefore, skills may have to be adapted over time.

Physical infrastructure

36. The physical infrastructure which supports KIT, including communication, transport and electricity, will depend in part on direct government interventions and resources, in addition to related policy measures, which are traditional areas for government investment. The public sector should specifically address infrastructure issues which cannot be established and operated by individual firms or by individuals or communities. Some direct government interventions might include the direct purchase or maintenance of equipment or establishing rural health-care clinics, and ensuring that there is connectivity to rural areas and poor populations (in cooperation with the private sector). Especially with regard to e-governance, connectivity is a prerequisite.

Institutional infrastructure

37. The necessary institutional infrastructure can also be supported by government, including the establishment of public institutions, such as national KIT councils, science and technology regulatory bodies, research institutes, national centres of excellence and community-level entities, which can all serve to create and diffuse knowledge and technology and act as a node in innovation networks. Moreover, those government institutions can, in some cases, act as a signal in pioneering new technologies and promoting innovation from within publicly owned industry, where appropriate. Although public institutions are critical, so too are private institutions and actors. The private sector is a key participant in the innovation process and in technology transfer, generation and diffusion, as well as in turning research and development into useful products and services. Government should stimulate the private sector, particularly where it is in its nascent phase, through such mechanisms as fostering entrepreneurship (in particular SMEs), strengthening ties to universities and industry, identifying sources of venture capital, establishing technology parks and partnerships (contingent upon their benefits being linked back into broader social and economic development) and encouraging the development of professional or research associations. Moreover, it can back up private firms by providing standards, information, scientific knowledge and facilities.

38. With regard to public institutional development, it is difficult to identify a basic minimum capacity. Bureaucratic and other institutions will change with policy and KIT development and will vary across sectors (e.g., bodies that monitor safety are more important with regard to biotechnology than ICTs). Therefore, public institutional development needs to be interpreted as being subject to a dynamic process. However, the establishment or strengthening of a KIT (or equivalent) ministry or body within government and identification of KIT advisers are first steps in building the institutional capacity of public administration and possibly in establishing a decision-support system, the need for which was outlined above.

Cultural and organizational issues

39. Cultural and organizational issues must be addressed by the public sector. The systems approach, as well as the demands of e-governance, imply greater complexity and will require considerable change management, re-engineering of processes and conceptual reorientation within government, which may involve creating change agents, a supportive climate for innovation, better knowledge management, awareness-raising and basic training. It should also be made clear that the systems approach to knowledge and innovation is not driven by the technologies per se but the end goal of working substantively across agencies and with multiple actors to achieve a common development objective through joint planning and programming. Therefore, whether looking at KIT as a whole or e-government in particular, integration should be justified on the grounds of more effective development (and not merely in the context of technological or financial convenience and efficiency), which implies a different way of approaching development.

Financial issues

40. There are clear and very large financial implications for all of the above. Government can attempt to rationalize and in some cases reallocate resources, gain efficiency and savings through the systems-based approach and e-government, increase potential for resource mobilization through e-government, establish partnerships and pooling of resources, attract FDI and affect global and national

policy regimes, such as trade and intellectual property rights, that have very real financial and debt consequences for developing countries. The international community must also support the mobilization of resources for developing countries to build long-term KIT capacity, as well as short-term capacity to meet the most pressing knowledge, innovation and technology needs as outlined in the Millennium Declaration and the road map. However, sustainability should underlie efforts by all actors in resource mobilization and funding.

41. Ultimately, there are considerable challenges to be faced when tackling the implementation of KIT for development. But there is no other choice but to proceed with capacity-building towards that end, which means that developing and developed countries will have to play their parts and on an expedited time frame if the millennium development goals are to be wholly or partially realized by 2015.

V. Conclusions and recommendations

42. A relatively complex but still incomplete and only partially nuanced picture has been presented of the relationship between the Millennium Declaration, KIT, the systems approach to KIT and the role of the public sector in its development. A few overall recommendations can be extracted from the above discussion, as follows:

(a) Governments should put in place a KIT framework that is highly contextualized, responsive to local needs and linked to human development. Developing countries should keep an eye on long-term capacity-building; while also acting incrementally and strategically in the medium term and focusing on key millennium development goals and building targeted capacity to address them in the short term. For some, that may mean more advanced and high-technology innovation and economic development, while for others it may mean focusing primarily on the various aspects of human capacity and learning;

(b) Since government is only one player in KIT, it must work actively to create an enabling environment for academia, civil society, private sectors and communities to develop and benefit from KIT. Moreover, it should concentrate on value-added activities where there are market failures related to the delivery of KIT public goods and services;

(c) As government embarks on KIT for development, it should start with its own operations and examine how they can benefit from knowledge, innovation and technology. Therefore, e-government strategies, policies and activities should be pursued, among other interventions;

(d) As national-level KIT systems are influenced by global policy regimes, developing countries should build partnerships to collectively advocate at the international level. Partnerships should also be established to address market failures and build capacity;

(e) Finally, there is a great need for the sharing of information, knowledge and comparative experiences on KIT and its sub-components, particularly among developing countries. More work is needed to determine not only what needs to be done but also how to go about doing it and overcome bottlenecks: *this is critical*. In addition, there is a need for better indicators and benchmarks and materials that move from anecdote to analysis and focus on the evaluation of what works and what doesn't and why.

Notes

[1] Technology should be read to include scientific research and discovery; technological applications or the physical objects of human design; techniques, practices, methodologies and know-how to use technological artefacts; mature and traditional technologies, whether new or emerging, basic or advanced. Knowledge and innovation include bodies of knowledge and intellectual capital, both tacit and codifiable, and the ideas produced by society.

[2] Other benefits include improved efficiencies and cost savings; more effective service delivery (reach, relevance and timeliness); decentralization; mechanisms for coordination; complementary channels for participation; income generation; and other economic, social and governance benefits.

[3] In developed countries, biotechnology may be focused on creating more attractive foods, while in developing countries the need is to create hardier crops resistant to drought and pests. Furthermore, there is considerable need for research and development for tropical foodstuffs where tropical countries face poor nutrition and cannot pay for food imports.

[4] It is useful to distinguish between data, information and knowledge. Data and information are relatively self-contained and easier to transfer, whereas knowledge tends to reside in the individual, is based on experience and is much more difficult to transmit. Tacit knowledge is more important in the long run, but how to turn tacit knowledge into explicit or codifiable knowledge without stripping it of its context is more challenging. Yet context is key to development and to many of the goals of the Millennium Declaration because it reflects gender, race and culture, and influences how people value, share, use, create or interpret knowledge, and convert information into knowledge. Those distinctions and requirements should not be lost on policy makers and government officials.

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Enhancing the capacity of public administration to implement the United Nations Millennium Declaration

Financial capacity of the public sector to implement the United Nations Millennium Declaration

Report of the Secretariat

Executive summary

The millennium development goals have set quantitative goals for poverty reduction and other aspects of human welfare for developing countries and economies in transition. In the context of globalization, those countries can achieve the goals through governance initiatives; the establishment of institutional ingredients of a self-sustaining market economy; macroeconomic stabilization; significant and sustained improvements in the efficiency, integrity and effectiveness of public sector management; transparency and accountability of corporate and financial governance in the private sector; and proper management practices that enhance the development of human resources for the public services. They will have to face the challenges of improving fiscal discipline, bringing resource allocation in line with development priorities and creating an enabling environment for the development and growth of the private sector through the establishment of appropriate legal and regulatory framework. For that purpose, there is a need for enhanced mobilization of resources through reform of tax systems by increasing the neutrality, simplicity and horizontal equity of the tax system; broadening the tax base; reducing tax-induced distortions; and adopting tax expenditure approaches that minimize the prospects for future fiscal deficits and are consistent with administrative capacities. Public financial management reforms would encompass aggregate fiscal discipline, strategic prioritization for allocative efficiency and equity

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and technical efficiency in the use of budgeted resources. There is a need to avoid unsustainable debt burden through prudent government debt management, with sound policies for dealing with contingent liabilities.

Contents

		Paragraphs	*Page*
I.	The United Nations Millennium Declaration as a claim on financial resources for development	1–8	3
II.	Public financial management	9–21	4
III.	Public resources mobilization	22–33	6
	A. Tax policy	22–24	6
	B. Tax reforms	25–28	6
	C. Tax administration	29–33	7
IV.	Fiscal policy and public debt	34–38	8
V.	Official development assistance	39–42	9
VI.	Conclusions and recommendations	43–52	10

I. The United Nations Millennium Declaration as a claim on financial resources for development

1. The main objective of the present report is to analyse how the public sector can contribute to maximizing the socio-economic welfare of the population within the context of the United Nations Millennium Declaration, through effective and efficient fiscal policy and public financial management in a predominantly market economy.

2. The last decade of the twentieth century has ushered in the era of the progressive integration of national economies. One of the aspects of that process is the creation of a global trade and capital market that allows unprecedented in volume movements of goods, services and capital. Globalization carries a potential for equally unprecedented economic growth and prosperity. However, its impact on human development and human security has varied considerably, depending mainly on how government institutions are structured, how they mobilize to face the new developmental challenge and what policies they adopt. To the extent that globalization is perceived to be a factor in the worsening income distribution among countries and within countries, it increases the need for governmental intervention or, more appropriately, government participation. At the same time, it reduces government's capacity to intervene due to reduced availability of public financial resources.

3. Although evidence of the quantitative impact of globalization on public revenues is still limited, there are indications that it may actually reduce tax revenues due to increased tax competition among jurisdictions to attract foreign direct investment, exponential growth in electronic commerce, increased mobility of factors of production and the growing importance of offshore and tax havens.

4. At the same time, globalization is creating pressures for increased spending on education, training, research and development, environment, economic and social infrastructures, and on institutional changes primarily to improve efficiency. It may create additional financial requirements for social protection by way of unemployment benefits and retraining costs for unskilled labour facing retrenchment due to the closing down of inefficient domestic industries.

5. It is in that broader context that the financial implications of the United Nations Millennium Declaration must be considered. The Declaration lists eight development goals, with 18 targets and 48 indicators. Most of them require the engagement of substantial amounts of money. Those amounts may not be huge relative to the key financial indicators of the global economy, but within the context of a given country or as compared with the level of current expenditures in a given area they are substantial.

6. The Declaration is therefore also about changing the fiscal policy of Governments and about rethinking international aid flows. Such change and rethinking should broaden the criteria that traditionally prevail, especially in government fiscal decisions, i.e., avoidance of persistent budgetary deficits, avoidance of accumulation of public debt and achieving macroeconomic stability. It is difficult to imagine that such a change and such rethinking can happen without a decisive shift in the values that underpin policy decisions. When such decisions are taken, it makes a critical difference if they are made within the framework of the new developmental paradigm outlined by the Declaration, i.e., if the values that guide policy decisions include the value of freedom rooted in human solidarity for all people everywhere. Thus, speaking about the financial capacity of the public sector to implement the development goals of the United Nations Millennium Declaration, one has to speak first and foremost about the Governments' capacity to cement a political coalition that would stand firmly behind such a new developmental paradigm: a coalition that would support it not in general (globally) but locally, in a given society, in its urban and rural communities, even in the most distant ones.

7. Although fragmentary, sector-specific attempts at calculating the financial implications of the developmental goals of the United Nations Millennium Declaration have been made,[1] it is short of impossible to come up with a realistic bill. And the achievement of some of the development goals as well as some of the goals that do not belong to the development category can and would produce huge savings as well as generate new resources. Such is the likely effect of achieving higher standards of human capabilities through improved education and health care and eradication of poverty. Such is the likely effect of freeing the most affected countries from the scourge of

AIDS. Peace and good governance bring many positive ripple effects throughout society and economy that can be expressed also in financial terms.

8. However, especially in the short run, investments are needed. The task of the implementation of the United Nations Millennium Declaration — the task that has been accepted by heads of State and Government — brings up the need to take one more careful look at how public revenues are spent and how they are generated. Initially, even with the hope with which the International Conference on Financing for Development (Monterrey, March 2002) has ended, it would be unrealistic to expect a dramatic increase in public revenues either from domestic sources or as a result of international transfers. Therefore, improved management of the public budgets to increase the effectiveness of the use of public resources seems like the most realistic hope for more generous financing of Declaration goals. Only with time can new sources of funding be brought to bear on the implementation process. But without increased effectiveness and efficiency of the expenditure process, even that hoped for increase in financial resources may not bring desirable results.

II. Public financial management

9. In recent years, in the context of growth of public spending, considerable attention has been focused on public financial management and the efficiency of the public sector. Techniques have been developed to identify unproductive public spending, or at least public spending that is not justified by the benefits it produces. Getting more value for the money spent has been the basic objective of that exercise. It is now broadly recognized that efficiency in the use of public funds is a powerful tool for enhancing the socio-economic welfare of the population.

10. Public financial management relates to the process of planning; programming and budgeting; budget execution and accounting; and the auditing and evaluation of public resources. Those functions of government aim to ensure that, to the maximum practical extent, public resources — whether generated internally or externally — are utilized in accordance with the law and yield optimum results.

11. Within that context, a central concern for all countries is how to harmonize methods for three linked, though somewhat distinct processes: (a) strategic macroeconomic management and control of aggregate financial variables; (b) changing expenditure priorities; and (c) effective and innovative management of service delivery institutions.

12. If they advance on the path of global economic integration and/or if they adopt an ambitious social agenda — whether aligned with the United Nations Millennium Declaration goals or not — effective and efficient financial management becomes essential, especially in countries where the volume of tax revenues is inelastic. It is incumbent upon such Governments to ensure that whatever resources are mobilized must be managed properly with a view to sustaining economic growth and social development.

13. Efficient and effective financial management has also become increasingly a condition sine qua non for the cooperation of developing countries with donors, in the context of international transfers (official development assistance (ODA)) and in the context of debt relief negotiations. The system and practice of appropriate public financial management gives assurance to donor countries that the resources resulting from their initiatives in those areas would be correctly and prudently used.

14. More than two decades of experimentation with reforms of public financial management have left an impressive number of success stories and a trail of failures. Yet the basic premise behind them has not changed: it matters how public finances are managed. Efficient and effective public financial management is beneficial for national economy: it creates better conditions for competitiveness of the local enterprises; it is also good for social development; it helps to deliver better quality of services; and, if it saves public financial resources, it gives an opportunity for the policy makers to redirect them towards developmental goals.

15. Efficient and effective public financial management does not represent a collection of technical tricks. True, new technical approaches are possible and very often needed. And it is at the level of those technical approaches that many a reform effort has failed. Not all of them are culturally acceptable in different social settings. And too much stress on technical solutions obscures the basic premise that the success of public financial management depends on strengthening the three pillars of good governance,

transparency, accountability and participation, as well as their result — predictability.

16. It must be remembered that such reforms can be achieved in many different ways. But behind any technical approach — imported or home-grown — there must stand firm political will. Without such firm political will, based on a coalition of forces that see value in increased transparency, accountability and participation, the application of new technical approaches is bound to be forced and less than effective. The decision and consensus to increase participation and accountability must precede fiscal decentralization. The decision and consensus to curb corruption must precede relevant improvements in public expenditure management. The decision to curb bureaucratic capture must precede measures to increase expenditure control, strategic resource allocation, good operational management and due process. And, in a changed relationship between the public at large and the government, the consensus to increase accountability must precede measures that stretch the horizon of budgeting beyond the immediate future through a formal multi-year approach, when feasible, or as a minimum, through systematic public reflection and dialogue. When we speak about the financial capacity of Governments, we must include in that category also the willingness and capacity to build political coalitions and generate political momentum for transparency, accountability and participation.

17. All this does not mean that technical solutions do not matter. In too many countries, financial management capabilities have been eroded by the pursuit of financial populism, ineffective and distorted budgetary mechanisms or the breakdown of existing financial management institutions. At the same time, there have been recent reforms in the public sector of both developed and developing countries that warrant serious consideration by government policy makers seeking to increase macroeconomic stability and pursue an ambitious social agenda.

18. Experience shows that most of the common technical weaknesses of public financial management relate to untimely and inaccurate government accounting; budget review processes hampered by lack of relevant information; lack of modern methods of data management; highly routine rules and procedures that stress control; and inadequate training. A separate set of weaknesses relates to financial management of projects funded externally, including lack of knowledge of accountability needs of donors/lenders; difficulties in collecting accounting data; delays in claiming reimbursement from donors/lenders; lack of financial control of in-kind transfers; and difficulty with matching domestic procedures with donors'/lenders' attempts to achieve speedier disbursement of funds.

19. Yet there is a shared understanding of things that seem to work in the area of public financial management. Ideally, financial management should be a continuous process which links planning with budget formulation, budget execution, accounting, programme evaluation and audit. At the national level, fiscal policy-making institutions should effect medium- and long-term investment planning and budgeting. Macroeconomic management should replace short-term crisis management, especially with regard to public debt ceilings and deficit management. Governments should undertake more effective oversight, using performance management standards, supported by regular monitoring and effective audits. All components of the financial management system should be integrated in a smooth flow of information, decisions, appropriations and auditing/evaluation. All parts of the system should cooperate, and strong agency planning, budgeting, cash and debt management, accounting, reporting, auditing and evaluation should complement policy-making at the national level.

20. Consideration of ways of achieving such results brings the discussion to the point of choosing modalities for public financial management, i.e., technical approaches. The ones that have brought the greatest positive results and at the same time were the sources of most spectacular debacles are connected with the new public management revolution. Although a lot has been said about their unique appropriateness for strong democracies with long traditions of civil service and roots in common law, they are out there, have been tested and still cannot be surpassed in results that they achieve by alternative solutions. It can be argued that in many situations, political will and commitment as well as broad consensus for change just might make up for what is missing in political and legal traditions. Commitments accepted in the framework of the United Nations Millennium Declaration can provide the motivation to generate such a political momentum and build helpful political coalitions.

21. Pro memoria, the most prominent new public management technical approaches include:

(a) Shift to greater competition in the public sector: move to term contracts and public tendering procedures since competition is the key to lower costs and better standards;

(b) Greater emphasis on output controls: resource allocation and rewards linked to measured performance;

(c) Explicit standards and measures of performance: definitions of goals, targets, indicators of success — especially for professional services — preferably expressed in quantitative terms and made public;

(d) Stress on private sector style of management practices: greater flexibility in hiring and rewards; greater use of public relations techniques;

(e) Stress on greater discipline and prudence in resource use: cutting direct costs, increasing labour discipline, resisting union demands, limiting "compliance costs" to business;

(f) Break-up of central bureaucracy-wide personnel management;

(g) Disaggregation of units in the public sector: break-up of formerly monolithic units, unbundling of U-form management systems into corporate units, around products, operating on decentralized "on-line" budgets and dealing with one another on an "arm's length";

(h) "Hands-on professional management" in the public sector: active, visible, discretionary control of organizations from named persons at the top who are "free to manage".

III. Public resources mobilization

A. Tax policy

22. In terms of tax policy, countries should ideally aim to set up an efficient and fair tax system which should raise essential revenue without excessive government borrowing, and should do so without discouraging economic activities or deviating radically from tax systems in other countries. Tax reforms should aim at simplicity, equity and comprehensiveness.

23. In reality, many developing countries face severe constraints in choosing tax policy options. In view of the prevalence of cash transactions in their economies, modern means of raising revenue, such as income taxes and consumer taxes, can play only a minimal role. As a rule, taxpayers have limited ability to keep accounts. Statistical and tax offices have difficulty in generating reliable statistics. If nothing else, such lack of data prevents policy makers from assessing the potential impact of major changes in the tax system. It is also difficult to create an efficient tax administration without well educated and well trained staff, especially in the absence of adequate remuneration of tax officials. It is difficult to modernize, e.g., computerize revenue-collecting operations or, in some cases, even to provide efficient telephone and mail services for tax offices.

24. Under those circumstances, the capacity of Governments in many developing countries to affect revenue collection via tax policy changes is very limited. In many of them, tax policy is often the art of the possible rather than the pursuit of the optimal. As a result, many Governments take the path of least resistance, developing tax systems that allow them to exploit whatever options are available rather than establishing rational, modern and efficient tax systems. Marginal changes are often preferred over major structural changes, even when the latter are clearly preferable. That perpetuates inefficient tax structures and negatively impacts the capacity of Governments to mobilize adequate domestic resources to achieve and sustain growth and development.

B. Tax reforms

25. Nevertheless, during the past two decades many countries have undertaken structural modifications in their tax systems. As a rule, those modifications have been an integral part of the overall economic reform programmes. However, too often the reforms have been undertaken "for the wrong reasons". As a result, they did not target systematic improvements to ameliorate and enhance the long-term productivity of the tax system. They were not attached to a coherent strategy for human development. The motivation for that type of reform was provided by the urgent need to increase revenue collection to meet the impending fiscal crises.

In such cases, even if they constituted a part of the financial stabilization package, reforms were undertaken on an ad hoc basis, just to meet an immediate fiscal exigency.

26. In the case of tax reforms undertaken in the framework of a broader economic reform, the goal was to enhance the international competitiveness of the local economies so as to facilitate their successful participation in the process of integration of the global economy. Under such circumstances, the tax system is supposed to constitute one of the market-augmenting institutions. Indeed, in an economy that allocates resources according to market signals, the tax system is required not only to raise the necessary revenues to provide the social and physical infrastructure but, most importantly, to minimize price distortions. Tax reforms that follow the logic of the market become associated both with the obvious ability of the markets to raise human capabilities, but also with the equally obvious potential of the markets for failure, especially in providing public goods or targeting human development.

27. Whatever the reasons to undertake tax reforms, the trend currently prevailing in the world is to lower income and profit tax rates; cut back tax expenditures; and broaden the tax base. In effect, tax reform has now come to mean redistributing of existing burdens downwards. Specific policies may vary from country to country, but observable trends have been towards a more inclusive and less progressive (flatter) income tax with fewer rates, and more reliance on value added tax. Although those measures improved compliance, enhanced equity and reduced distortions stemming from the existence of complex and inefficient tax systems, they may not necessarily contribute directly to implementation of the goals of the United Nations Millennium Declaration. It is difficult to suggest a tax code that would directly support them, but a measure of wealth redistribution via taxation and efficient public spending seems like an idea that is being discarded too lightly and without finding effective alternative solutions.

28. The government capacity that is needed here is mainly the capacity for broad social dialogue. It is a matter of social consensus to establish what kind of market economy fits the local values and tastes. There are many shadows of the fashionable economic and social liberalism. And, even in the quickly integrating world, there is no single prevailing rule as to who in the society should ultimately benefit from economic efficiency gains. Taxes will always play a redistributive role. They do it now. They will do it in future. It is the society and the values it adheres to that are in the centre of making the important decision about the direction of wealth flows. The tax reform only formalizes such decisions.

C. Tax administration

29. An efficient and effective tax administration is a basic prerequisite for a tax system to fulfil its revenue-producing potential. Even the best-designed system is only as good as the administration that implements it. Thus, effective tax administration is the major element of government's capacity to pursue a sound fiscal policy, achieve an optimum tax effort level and establish an appropriate tax structure.

30. The tax laws are bound to fail to achieve their purposes in practice, unless they are efficiently implemented and the taxpayers can be induced and if necessary compelled to comply with them. For that to happen, the tax administration must be able to implement those laws. This requires appropriate staff as well as technical and logistical capacity. Otherwise, the field level reality of the actual incidence of the tax system may be quite different from the original objectives: the taxes may be passed on to those on whom they are not meant to fall, and the distribution of the burden may turn out to be indiscriminate and to exacerbate the inequitable distribution of income.

31. Therefore, Governments that decide to undertake fiscal reforms should also take into account the concomitant tax administration reform. The organizational structure of tax administration should be such as to enable the tax administration to achieve the highest possible degree of voluntary taxpayer compliance, and to administer the tax laws efficiently, effectively and fairly, with the highest degree of integrity. The strategies for tax administration reform are not in doubt:

- The first principle is simplification. For instance, the number of tax brackets in the income tax should be reduced and exemptions and deductions as far as possible eliminated.
- The second principle is the need for a clear strategy of reform rather than ad hoc measures. It is necessary to evaluate the current tax system so

as to understand where revenues presently come from, the uses of administrative resources and how they relate to revenues and the number of cases handled, actual and potential tax bases, and existing problems.

- The third principle is a high level of commitment to reform, particularly at the highest levels, but also embracing all concerned. The way a tax system is viewed depends on the perception of the extent of evasion, fairness, complexity, arbitrariness and the burden of administration on taxpayers.

- The final principle is technical competence on the part of tax administrators and staff of the entire tax system. Competence not only enhances the chances of higher tax collections but also contributes to the trust and confidence of taxpayers.

32. A useful benchmark to measure improvement in tax administration is progress towards closing the compliance gap, i.e., the gap between actual and potential revenues. High levels of non-compliance are caused as a rule by: (a) lack of financial and material resources; (b) poorly qualified and trained staff; (c) ineffective procedures; (d) failure to implement measures that will directly reduce non-compliance; (e) absence of effective taxpayer service; (f) high turnover of technical staff and management; and (g) corrupt practices. When the true amount of revenue due is not collected, the efficiency objectives of the tax structure are not realized, and both the horizontal and vertical equity of the tax structure are compromised.

33. In the context of the United Nations Millennium Declaration, it is worth remembering that efficient and effective tax administration plays a far greater than fiscal role only. Better services to taxpayers, including simpler registration and collection systems; better tax education programmes; consistent ruling and transparent decision-making on tax matters all reinforce efforts aimed at citizenry development. The whole sequence — from the development of tax policy and designing tax reforms to tax administration and from the development of the expenditure side of the public budget to the actual delivery of public services is a valuable civic lesson. It reinforces (or fails to reinforce) the participatory element of the governance structures that are believed to serve best implementation of the United Nations Millennium Declaration goals.

IV. Fiscal policy and public debt

34. Public debt is not a positive or negative factor, per se. It must be seen in the broader framework of fiscal policy. It is best if the complex relationships between factors that lead to budgetary deficits, the decisions to borrow and the cost of borrowing are understood by all concerned. It is best if those who spend borrowed money know that there is a cost to it, and those who borrow money and manage the public debt appreciate the reasons for borrowing and the limitations that debt imposes on broader fiscal policy. Transparency and accountability help to anchor those processes in a well-informed consensus of the ultimate beneficiaries, i.e., the public at large.

35. According to the *World Economic Outlook* (October 2001), the total external debt of the developing countries at the end of 2000 amounted to US$ 2.14 trillion. It was composed of short-term debt of $279 billion and long-term debt of $1.861 trillion. Of that total, official debt amounted to $912.8 billion, debts due to banks to $557.2 billion and other private debt to $670 billion. The debt service payments amounted to $337.8 billion. The aggregate external debt was likely to rise to $2.186 trillion in 2002, with debt service payments of $374.7 billion. Behind those aggregate figures, there are numerous deeply unsustainable debt situations. The United Nations Millennium Declaration recognised that by including as one of its targets the implementation of the enhanced programme of debt relief for heavily indebted poor countries and the cancellation of official bilateral debt in the case of the least developed countries. That call has been repeated by the Monterrey Consensus, the outcome of the International Conference on Financing for Development (March 2002).

36. In view of the publicity that follows unsustainable public deficits and fiscal crises, it is often forgotten that borrowing is a legitimate tool for public resources mobilization. If public debt is properly utilized, it can contribute to economic growth and poverty reduction, and smooth out consumption in response to shocks. Government investments are undertaken in anticipation of future social returns that may or may not take the form of a stream of cash payments. When the social rate of return exceeds the

social opportunity cost of government funds, then the investment is worth undertaking. The social opportunity cost includes the cost of using future taxes to service any debt incurred to finance the investment. The Government also invests in public consumer durable goods for which it may be inefficient to recover the full cost through user fees. Some public sector projects may yield negative cash flow throughout the life of the projects. That does not mean that the government should not borrow to finance such projects. What this implies is that future taxes have to be raised or future transfer payments and future public consumption expenditures have to be cut. That should be by an amount equal, in present value terms, to the initial cost of the investment minus the present value of any future net cash flow generated by the project. Solidarity with future generations is an important value to consider while determining the levels of present-day borrowing.

37. If public debt is inefficiently allocated, the cost of the borrowed external resources can contribute to macroeconomic management problems via high and unsustainable levels of external debt servicing obligations. The external debt burden of many low-income developing countries has increased substantially since the 1970s due to allocation mistakes, adverse terms of trade, wars, natural and man-made disasters. Lack of sustained macroeconomic adjustment and structural reforms, decrease in non-concessional lending, refinancing the policies of creditors as well as inadequate debt management also played a negative role. It should be mentioned here that the misallocation of borrowed financial resources constitutes another breach with the value of solidarity, this time with the contemporaries.

38. There exists a shared understanding of the damage that unsustainable debt burden brings to the economy and society. A truth less well known is that an established capacity of the Government to manage debt should become almost an obligation for any borrowing country. Unfortunately, it is in very short supply, especially where it is most needed. The institutional arrangements for debt management necessarily differ from country to country, but their activities should revolve around the formulation of debt management policies and strategies. They should provide macroeconomic projections and analysis to support policy-making; undertake operations to implement terms of loan agreements; and, maintain loan records (i.e., monitoring and maintaining information on disbursements and debt service payments). Poor debt management has caused many crisis situations. For instance, keeping portfolios of poorly structured debt in terms of maturity, currency or interest rate composition and large and non-funded contingent liabilities have been important factors in inducing or accelerating economic crisis in many countries. Irrespective of the exchange rate regime or whether domestic or foreign currency debt is involved, crises have often arisen because of an excessive focus by Governments on the possible cost savings associated with large volumes of short-term or floating rate debt. That has left government budgets seriously exposed to changing financial market conditions, including changes in the country's creditworthiness, when this debt needed to be rolled over. Foreign currency debt poses particular risks that have to be carefully managed. Excessive reliance on foreign currency debt can lead to exchange rate and/or monetary pressures, if investors become reluctant to refinance it. By reducing risk that stems from poor management of the Government's own portfolio, a dangerous source of instability for the private sector can be removed. Prudent government debt management, along with sound policies for managing contingent liabilities, can make countries less susceptible to contagion and financial risk.

V. Official development assistance

39. By supplementing the domestic efforts in public revenue generation as well as foreign private capital flows, ODA can be critically important in helping developing countries and economies in transition to implement the United Nations Millennium Declaration goals. To do that, it must support strategies that revolve around human development, especially the goal of poverty reduction. It must contribute to generating sustainable, equitable growth. And it must be based on policies and programmes that respect ownership by recipient countries' governments and civil societies.

40. The flow of ODA from Development Assistance Committee countries to developing countries was $51.9 billion in 1998 ($48.3 billion in 1997). In terms of percentage of donor countries' GNP, ODA declined from 0.33 per cent in 1992 to 0.24 per cent in 1999, against the United Nations aid target of 0.7 per cent. As a proportion of the combined GNP of donor countries,

ODA flows to the least developed countries have declined from 0.09 per cent in 1986-87 to 0.05 per cent in 1997. Almost 20 per cent of the ODA commitments by individual DAC members in 2000 were either partially untied or tied; 53.5 per cent were intended for social and administrative infrastructure, such as education, health, population, water supply and sanitation and other social services. Only 1.1 per cent was devoted to actions related to debt management, including payments of non-ODA debt. The measures proposed in recent years to enhance the quality and effectiveness of aid include a focus on medium-term development cooperation, a shift from projects to programmes, and increasing emphasis on policy dialogue, partnership, sound public financial management and participation of all sectors of the economy.

41. The Monterrey Consensus strengthened agreement on the policies required within developing countries to mobilize domestic resources, attract private investment and utilize aid effectively. It reaffirmed the importance of sound policies and good governance to ensure ODA effectiveness, and emphasized country ownership, partnership and harmonization. It also recognized that substantial increases in ODA are required to enable the poorest countries to cut poverty in half and achieve other internationally agreed development goals.

42. In Monterrey, the international community has committed to scale up and intensify their efforts to help developing countries meet the internationally agreed development goals by making sure that aid resources are made available to match the commitment to progress on policy reforms in the developing countries. However, as long as decisions about levels and directions of ODA are taken in the framework of the old developmental paradigm, it is not at all clear if there is a specific capacity that the developing countries can build in order to attract increased ODA flows. Global human development needs compete with strategic economic and political calculations in distributing ODA. And the fiscal policies of the DAC countries themselves often continue to curtail their ability to spend. Be this as it may, the recipient countries owe it to themselves to increase the effectiveness of ODA utilization. They must also take responsibility for good governance and sound economic and social policies. This entails, inter alia, tackling corruption, investing in people and establishing an investment climate to attract private capital.

VI. Conclusions and recommendations

43. The main conclusion of the present analysis is that, in the short term, to the extent that new financial resources are needed, the public sector in the developing countries will have serious difficulties in contributing in a meaningful way to the implementation of the goals of the United Nations Millennium Declaration.

44. Somewhat surprisingly, the main issue seems to be not money but governance. We talk here about dialogue and partnership-building, political will, broad public participation in decision-making, and transparency. We also talk about the public at large becoming the government oversight body in the accountability system, all this in the framework of the new developmental paradigm outlined by the United Nations Millennium Declaration. The importance of the institutional aspect of governance cannot be overestimated either. Policies do not exist if they are not formulated, adopted and implemented. But even the most effective administration, with efficiency increased by ICT technology (e-government) would only produce results that are intended by the political will, which expresses the interest and values of the political coalitions that support the Government.

45. It is encouraging to note that the major donors have left Monterrey with an apparently new understanding of the need to increase international transfers. It is also encouraging that a new spirit of partnership and cooperation seems to be emerging between the recipient countries and the donor countries and institutions. Still, the local governance issue does not seem to go away easily. It matters how broad the participation in those new partnership mechanisms is or how effective the accountability system is that oversees those who participate in the new partnership arrangements.

46. This does not mean that important practical steps cannot be taken in order to build up the financial capacity of the developing countries to implement the goals of the United Nations Millennium Declaration.

47. Perhaps the most important step is to close the gap between the nominal endorsement of the Declaration in its totality, including the development paradigm and goals, and the everyday practice and life in societies and communities the world over. That would require a re-evaluation of the institutions for public dialogue and participation, for transparency and accountability.

48. Another possibility is to invite many more players to be active in the public space — players from the business community and civil society, including individual citizens. Public financial resources are used, inter alia, to buy time and capacities that are privately owned. Creation of a well-regulated public space that would welcome partnerships and initiatives may substitute for some of the financial resources needed.

49. The budgetary process looms as an important area of possible change. Alignment, transparency and accountability seem to be the three key words. The budget may move in the direction of greater alignment with politically established developmental goals and with the fiscal policy and reality. The budget may move into a more open public sphere, where transparency and accountability are seriously practised.

50. In the area of tax revenue generation, in most situations policy reform seems less important than shoring up the tax administrations. That is not to say that tax codes cannot be improved, especially in the area of equitable burden sharing. But tax policies and tax reforms seem vastly under-implemented as a result of weak tax administrations, which has vast negative financial consequences and as mentioned above, comes at a high price by weakening the position of taxpayers as citizens.

51. There also exist important international tax-related matters that the international community can and should act quickly upon. For example, decisions on e-commerce taxation, on double taxation and transfer-pricing can and should reflect the interest of the weaker participants in the global networked economy.

52. Finally, there are important steps that countries can take to improve the efficiency and effectiveness of their public administrations. There exists a menu of technical approaches, also on the fiscal side, that have been tested in the world, and the lessons learned are well known and documented. E-government solutions are multiplying and seem to be on many donors' priority list for technical cooperation. In times of scarcity of financial resources, efficiency can hardly be overestimated as a modality for getting more for less.

Notes

[1] To quote some random estimates: according to the World Bank, meeting the United Nations Millennium Declaration developmental goals by the year 2015 would require doubling current levels of international aid, i.e., some $40-70 billion of new resources per year (see Shantayanan Devarajan, Margaret J. Miller and Eric V. Swanson, *Goals for Development: History, Prospects and Costs*). Estimates of the cost of providing universal primary education by the year 2015 fall between $8 billion (OXFAM estimate) and $15 billion (UNESCO estimate) (see UNESCO, *Monitoring Report on Education for All* (2001)). The International Conference on Freshwater (2001) estimated that global financial needs for investment in the water sector are $180 billion per year, as compared with $70 to 80 billion now (see closing address to the Conference by Heidemarie Wieczorek-Zeul). And in the context of the special session of the General Assembly on HIV/AIDS (2001), it has been estimated that the global campaign against the epidemic needs $7 to 10 billion annually for an effective response in low- and middle-income countries.

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Enhancing the capacity of public administration to implement the United Nations Millennium Declaration

The critical role of public administration and good governance in implementing the United Nations Millennium Declaration: e-government, known applications and enabling environment

Report of the Secretariat

Executive summary

The present brief schematic report highlights the main approaches of e-government and the conditions which will create an enabling environment to its introduction.

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E-government: known applications and tested approaches

1. E-government applications

Areas	*Typical systems*
Governance	
• Core business of government	• Management of work flow, finances, personnel, documentation, records, information, knowledge; internal communication; executive information and decision-making
• Transparency	• E-procurement; government portals; online availability of laws, decrees, regulations
• Participation	• Online petitions, town halls, notice and comment; citizen networks; publication of voting records; email for parliamentarians
Economic	
• Revenue generation	• Taxation, custom, fee information and management
• Financial management	• Budget planning; accounting; expenditure, investment, payroll and other payment management
• Resource management	• Geographic and natural resources information and management; land, property, dwelling management; urban planning; development planning
• Business development	• Enterprises registration; investment information; technology and technology transfer information; patent information; market information; statistical analysis; economic forecasting; laws and regulations
Social	
• Social services	• Civil applications; civil registration; land and property registration; civil certificates; personal identification documents; social security; vehicle registration

Areas	*Typical systems*
• Education and culture	• Digital libraries and museums; community information centres; education institutions; information and management
• Health	• Distant medicine and prescription services; hospital information and appointments; organ and blood availability information; health insurance reimbursement/direct settlement
• Public safety	• Crime information; drug monitoring and control; prison information and management; border control (immigration and emigration); transportation monitoring and management; natural disasters monitoring and forecasting
• Natural environment	• Natural environment information and management; weather forecasting

2. E-government: enabling environment

- Political leadership to drive the transformation process.
- Analysis of e-readiness to face the issues.
- Long-term vision, with strategic goals to relate transformation to development plans, inform the public, get public support and facilitate monitoring and accountability.
- Identification of priorities to line up small, achievable components of the vision.
- Regulatory framework to assure sustainability of the effort.
- Institutional structure in the centre and throughout the government at all levels to implement the vision.
- Public involvement to respond to needs and fine-tune design of initiatives.
- Education and training to achieve the needed level of skills in the government and among the public at large.

Annex

Resources

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